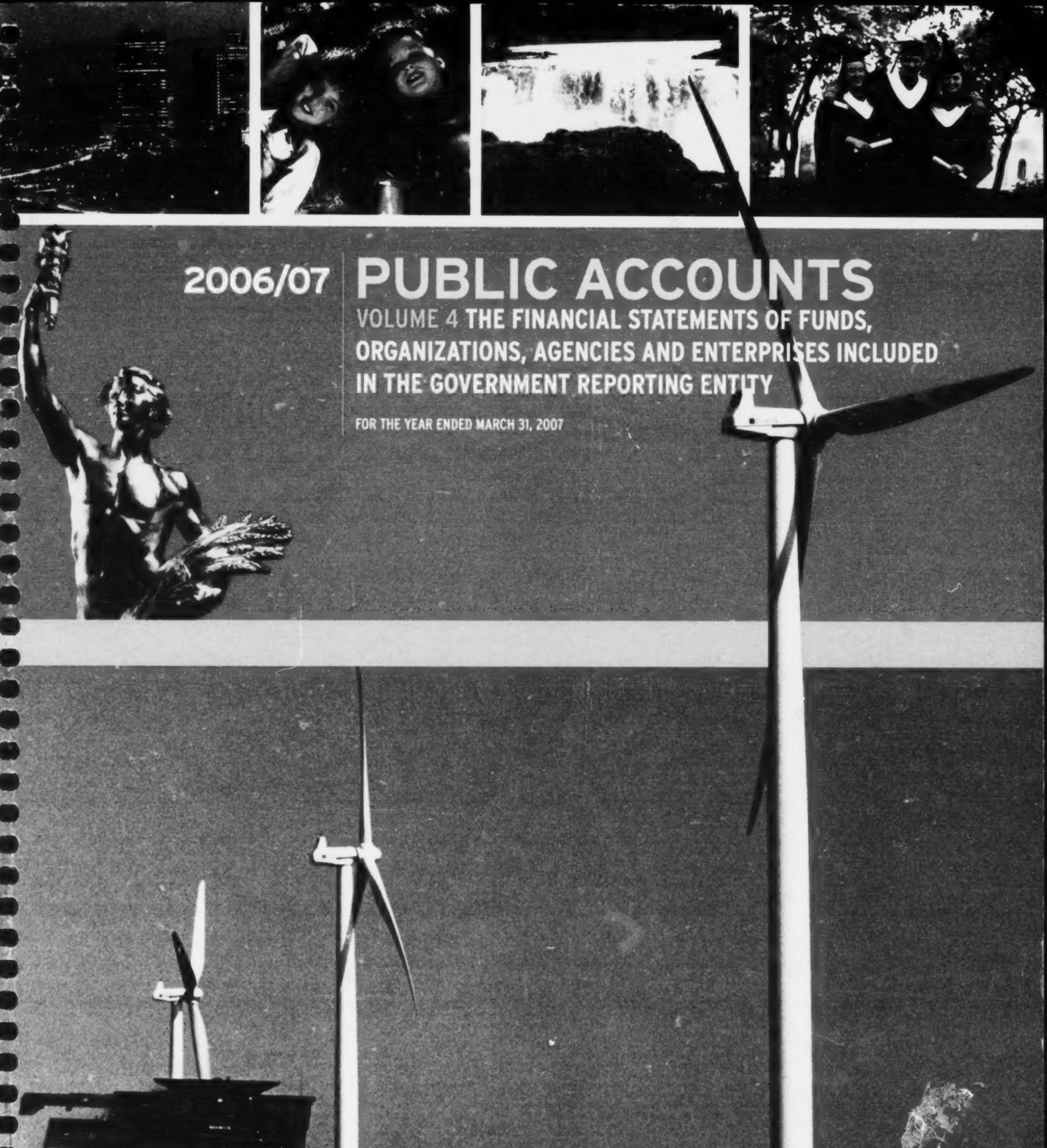

2006/07 PUBLIC ACCOUNTS

VOLUME 4 THE FINANCIAL STATEMENTS OF FUNDS, ORGANIZATIONS, AGENCIES AND ENTERPRISES INCLUDED IN THE GOVERNMENT REPORTING ENTITY

FOR THE YEAR ENDED MARCH 31, 2007

Manitoba

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INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2007 consist of four volumes:

Volume 1

- This is included in the Government's Annual Report.
- Section 1 focuses on the entire reporting entity and includes the Summary Financial Statements of the Government.
- Section 2 consists of the Special Purpose Financial Statements prepared for the Operating Fund. This section focuses on the Government's stewardship over the assets and operations of central Government. Performance is related to the legislative authorities provided by the annual appropriation of funds by the Legislature through the Estimates process.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of $50,000 or more as paid through the Consolidated Fund as well as those paid by Special Operating Agencies.
- Contains details of unaudited Consolidated Fund and Special Operating Agencies' payments in excess of $5,000 to corporations, firms, individuals, other Governments and Government agencies.

Volume 3

- Contains the details of the Operating Fund Financial Statements.
- Contains the details of the Operating Fund borrowings and guarantees.
- Contains the details of the Operating Fund revenue and expense.
- Contains information provided under Statutory Requirement.
- Contains information concerning certain Operating Fund financial indicators.
- Contains glossary information.

These statements are all unaudited with the exception of the following:

- The Report of Amounts Paid to Members of the Assembly; and
- The Northern Affairs Fund

Volume 4

- Contains the audited financial statements of funds, organizations, agencies and enterprises included in the Government Reporting Entity.

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- Manitoba Trucking Productivity Improvement Fund	March 31, 2007	24
- Mining Community Reserve	March 31, 2007	25
- Mining Rehabilitation Fund Reserve	March 31, 2007	26
- Pension Assets Fund	March 31, 2007	27
- Quarry Rehabilitation Reserve Fund	March 31, 2007	28
- Veterinary Science Scholarship Fund	March 31, 2007	29
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CROWN ORGANIZATIONS:

- Addictions Foundation of Manitoba	March 31, 2007	32
- Assiniboine Community College	June 30, 2006	43
- Board of Administration under The Embalmers and Funeral Directors Act	December 31, 2006	65
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- CancerCare Manitoba	March 31, 2007	86
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- Collège universitaire de Saint-Boniface	March 31, 2007	188
- Communities Economic Development Fund	March 31, 2007	203
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- Cooperative Promotion Board	March 31, 2007	222
- Council on Post-Secondary Education	March 31, 2007	230
- Crown Corporations Council	December 31, 2006	241
- Diagnostic Services of Manitoba Inc.	March 31, 2007	251
- Economic Innovation and Technology Council	March 31, 2007	264
- First Nations of Northern Manitoba Child & Familly Services Authority	March 31, 2007	273
- First Nations of Southern Manitoba Child & Familly Services Authority	March 31, 2007	281
- General Child and Family Services Authority	March 31, 2007	293
- Insurance Council of Manitoba	March 31, 2007	301
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SPECIAL FUNDS

THE ABANDONMENT RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	355,623	172,473
RECEIPTS:		
Royalties	270,526	187,227
Other Recoveries	-	-
Interest	3,953	1,360
	274,479	188,587
DISBURSEMENTS:		
Rehabilitation payments	121,816	5,437
Balance, end of year	508,286	355,623

DEBT RETIREMENT FUND

STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared with reasonable limits of materiality, incorporating management's best judgment regarding estimates and other data available up to July 10, 2007.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles.

On behalf of Management

Betty Anne Pratt, CA

Provincial Comptroller
July 10, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT
On The Debt Retirement Fund

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Debt Retirement Fund as at March 31, 2007 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
July 10, 2007

Carol Bellringer, FCA, MBA
Auditor General

DEBT RETIREMENT FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2007
(in thousands)

	2007 $	2006 $
ASSETS		
Funds on Deposit with the Minister of Finance (Note 3)	51,000	25,000
	51,000	25,000
FUND BALANCE		
Fund Balance	51,000	25,000

DEBT RETIREMENT FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2007
(in thousands)

	2007 $	2006 $
Revenue		
Interest Income	1,000	-
Fund Balance, beginning of year	25,000	-
	26,000	-
Transfers		
Transfer from the Operating Fund (Note 4)	110,495	110,495
Transfers for Pension Obligation (Note 4)	(85,495)	(85,495)
	25,000	25,000
Fund Balance, end of year	51,000	25,000

DEBT RETIREMENT FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1. Incorporation and Function

The Debt Retirement Fund was established under the authority of the *Balanced Budget, Debt Repayment and Taxpayer Protection Act*, which received Royal Assent on November 3, 1995. The purpose of the Fund was to assist in the orderly repayment of debt pursuant with sections 8(4) and 8(6) of the Act.

On August 18, 2000, the *Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act* was passed amending *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*, with related amendments to *The Fiscal Stabilization Fund Act* and *The Financial Administration Act*. The Bill changed the name of the Act to *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. This Act is deemed to have come into force on April 1, 2000 and applies to fiscal years commencing after March 31, 2000.

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Funds on Deposit with the Minister of Finance

Cash equivalents are recorded at cost which approximates market value. Portfolio investments are recorded at cost.

3. Funds on Deposit with the Minister of Finance

	(thousands)	
	2007	**2006**
	$	**$**
Cash and cash equivalents	51,000	25,000

4. Transfer for Debt Retirement and Pension Obligation

The Government transferred $110 million (2006 - $110 million) to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Government transferred $85 million (2006 - $85 million) from the Debt Retirement Fund for the specific purpose of providing for the future retirement of pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

5. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

THE FARM MACHINERY AND EQUIPMENT ACT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007	2006
	$	$
Balance, beginning of year	475,819	463,769
RECEIPTS:		
Interest Revenue	18,610	12,050
DISBURSEMENTS:		
Claims	-	-
Balance, end of year	494,429	475,819

FISCAL STABILIZATION FUND

STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of management of the Department of Finance and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared with reasonable limits of materiality, incorporating management's best judgment regarding estimates and other data available up to July 31, 2007.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to properly safeguard assets of the Fund.

The responsibility of the Auditor General is to express an independent, professional opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

Betty-Anne Pratt, CA

Provincial Comptroller
July 31, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT
On The Fiscal Stabilization Fund

To the Legislative Assembly of Manitoba

I have audited the statement of financial position of the Fiscal Stabilization Fund as at March 31, 2007 and the statement of revenue and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
July 31, 2007

Carol Bellringer, FCA, MBA
Auditor General

FISCAL STABILIZATION FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2007
(in thousands)

	2007 $	2006 $
ASSETS		
Funds on Deposit with the Minister of Finance (Note 3)	663,150	531,987
FUND BALANCE		
Fund Balance	663,150	531,987

FISCAL STABILIZATION FUND
STATEMENT OF REVENUE AND FUND BALANCE

For the Year Ended March 31, 2007
(in thousands)

	2007 $	2006 $
Revenue		
Interest Income	20,648	14,959
Fund Balance, beginning of year	531,987	485,943
	552,635	500,902
Transfers		
Transfer from the Operating Fund (Note 4)	110,515	31,085
	110,515	31,085
Fund Balance, end of year (Note 5)	663,150	531,987

FISCAL STABILIZATION FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2007

1. Incorporation and Function

The Fiscal Stabilization Fund was established at March 31, 1989, under the authority of *The Fiscal Stabilization Fund Act*, which received Royal Assent on December 13, 1989. The legislated purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Fiscal Stabilization Fund any earnings from investment of the Fiscal Stabilization Fund. All or part of the fund balance can be transferred to the Operating Fund in accordance with the provisions of the Act.

On August 18, 2000, the *Balanced Budget, Debt Repayment and Taxpayer Protection Amendment and Consequential Amendments Act* was passed amending *The Balanced Budget, Debt Repayment and Taxpayer Protection Act*, with related amendments to *The Fiscal Stabilization Fund Act* and *The Financial Administration Act*.

2. Significant Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b) Funds on Deposit with the Minister of Finance

Cash equivalents are recorded at cost which approximates market value.

c) Interest Income

Funds represented by specific investments (cash equivalents) attributed to the Fund earn interest income based upon the rates of return of those investments less a nominal administrative fee. Funds represented by cash earn interest income at the Bank of Canada overnight rate, less a nominal administrative fee. Transfers from the Fund are deemed to have incurred at the beginning of the year and transfers to the Fund occur at March 31.

3. Funds on Deposit with the Minister of Finance

	(thousands)	
	2007	**2006**
	$	**$**
Cash and cash equivalents	663,150	531,987

4. Transfer from the Operating Fund

The *Balanced Budget, Debt Repayment and Taxpayer Accountability Act* and *The Fiscal Stabilization Fund Act* require any Operating Fund positive balance to be transferred to the Fund until its target level is reached. The Minister of Finance has the authority, with the approval of the Lieutenant Governor in Council, to transfer additional positive balances to the Fund as he considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expenses of the Operating Fund or approximately $436 million, based on 2006-2007 expenses. As reported in the Public Accounts of the Province of Manitoba for 2006-2007, the Operating Fund had a positive balance of $110 million (2006 - $31 million), which was transferred to the Fiscal Stabilization Fund.

5. Fiscal Stabilization Fund by Program

	(thousands) $ 2007	 $ 2006
Health Program		
Program Fund Balance - Beginning of Year	202,411	210,067
Interest Earnings	7,856	6,044
Transfer to General Programs		
- Wait Time Reduction Programming	(27,419)	(13,700)
- Other Health Related Programming	(7,653)	-
Program Fund Balance – End of Year	175,195	202,411
General Program		
Program Fund Balance – Beginning of Year	329,576	275,876
Interest Earnings	12,792	8,915
Recovered from Health Programs		
- Wait Time Reduction Programming	27,419	13,700
- Other Health Related Programming	7,653	-
Transfer from the Operating Fund		
- Year-end Positive Balance	110,515	31,085
Program Fund Balance – End of Year	487,955	329,576
Total Fund Balance, End of Year	**663,150**	**531,987**

It is the Government's policy to designate the Fiscal Stabilization Fund into two programs, the Health Program and the General Program. Funds were allocated to the Health Program based on funds received from the Federal Government for Wait Time Reduction Programming and Other Health Related programming. Interest earned by the Fiscal Stabilization Fund is allocated proportionately to these two programs. As funds are expended related to the Health Program, the Government will designate a transfer back to the General Program.

6. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

LAND TITLES ASSURANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	148,190	125,049
RECEIPTS:		
Premiums	23,529	23,141
DISBURSEMENTS:		
Claims	1,203	-
Balance, end of year	170,516	148,190

MANITOBA LAW REFORM COMMISSION
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	40,676	47,818
RECEIPTS:		
Department of Justice	85,000	85,000
Law Society of Manitoba	-	-
Manitoba Law Foundation	75,000	100,000
	160,000	185,000
DISBURSEMENTS:		
Claims	168,001	192,142
Balance, end of year	32,675	40,676

MANITOBA TRUCKING PRODUCTIVITY IMPROVEMENT FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	181,343	-
RECEIPTS:		
Contributions	-	125,000
Interest	7,215	
Miscellaneous	343,661	56,343
	350,876	181,343
DISBURSEMENTS:		
Payments	-	-
Balance, end of year	532,219	181,343

THE MINING COMMUNITY RESERVE
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	13,046,575	13,596,675
RECEIPTS:		
Transfer of Mining Tax Revenues	2,924,738	1,156,550
Ruttan Worker Adjustment Committee Recovery	50,693	-
Interest received during the year	534,658	371,466
	3,510,089	1,528,016
DISBURSEMENTS:		
Hudson Bay Mining and Smelting Company Ltd	-	-
RBC Financial Group	-	118,839
Snow Lake Family Resource	-	5,967
Snow Lake Relocation	-	99,607
Town of Leaf Rapids	195,000	-
Town of Lynn Lake	26,646	47,169
Town of Snow Lake	20,000	9,979
Transfer to General Revenue	1,802,566	1,796,554
	2,044,212	2,078,116
Balance, end of year	14,512,452	13,046,575

THE MINING REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	198,412	116,972
RECEIPTS:		
Royalties	281,066	76,755
Interest	8,745	4,685
	289,811	81,440
DISBURSEMENTS:		
Payments	25,967	-
Balance, end of year	462,256	198,412

PENSION ASSETS FUND
STATEMENT OF FINANCIAL POSITION

As at March 31, 2007

	2007	2006
ASSETS		
Funds on Deposit:		
Minister of Finance	-	2,203
Civil Service Superannuation Fund	323,688,626	250,180,228
Teacher's Retirement Allowances Fund	375,575,601	286,803,870
	699,264,227	536,986,301
FUND BALANCE		
Fund Balance	699,264,227	536,986,301

PENSION ASSETS FUND
STATEMENT OF RECEIPTS, EXPENSES AND FUND BALANCE

For the Year Ended March 31, 2007

	2007	2006
RECEIPTS		
Contributions:		
Debt Retirement Fund	85,495,180	85,495,180
Special Operating Agencies	1,763,402	1,769,742
Operating Fund	6,947,799	5,552,728
Crown Organizations	1,526,117	1,065,289
Investment earnings (loss)	67,523,877	61,549,434
	163,256,375	155,432,373
DISBURSEMENTS		
Management fees	978,449	788,374
Excess of receipts over disbursements	162,277,926	154,643,999
Fund Balance, beginning of year	536,986,301	382,342,302
Fund Balance, end of year	699,264,227	536,986,301

THE QUARRY REHABILITATION RESERVE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	5,901,287	5,457,422
RECEIPTS:		
Royalties	1,749,903	1,712,112
Interest	204,450	128,689
	1,954,353	1,840,801
DISBURSEMENTS:		
Rehabilitation payments	1,789,061	1,396,935
Balance, end of year	6,066,579	5,901,287

THE VETERINARY SCIENCE SCHOLARSHIP FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2007
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	2,578	3,578
RECEIPTS:		
Department of Agriculture - Veterinary Services Branch	8,175	10,400
Repayment of bursaries	15,600	15,600
	23,775	26,000
DISBURSEMENTS:		
Payment of bursaries awarded under the Veterinary Science Scholarship Act	21,600	27,000
Balance, end of year	4,753	2,578

VICTIMS ASSISTANCE FUND
STATEMENT OF RECEIPTS AND DISBURSEMENTS

For the Year Ended March 31, 2006
(with comparative figures for the year ended March 31, 2006)

	2007 $	2006 $
Balance, beginning of year	1,674,289	1,776,517
RECEIPTS:		
Surcharge on Provincial Fines	4,516,610	2,805,232
Interest	53,320	40,113
	4,569,930	2,845,345
DISBURSEMENTS:		
Operating expenses	3,697,210	2,947,573
Balance, end of year	2,547,009	1,674,289

CROWN ORGANIZATIONS

Financial Statements and Audited Reports

Addictions Foundation of Manitoba

(incorporated under the Addictions Foundation of Manitoba Act)

Financial Statements

March 31, 2007

The accompanying financial statements are the responsibility of management and have been prepared in accordance with accounting policies stated in Note 2 to the financial statements. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Foundation are properly safeguarded.

The responsibility of the Auditor and their staff is to express an independent professional opinion on whether the financial statements are fairly presented. The Auditor's report outlines the scope of the audit examination and provides the audit opinion.

Chief Executive Officer

Director, Finance

June 30, 2007

Date

KPMG LLP
Chartered Accountants
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Canada

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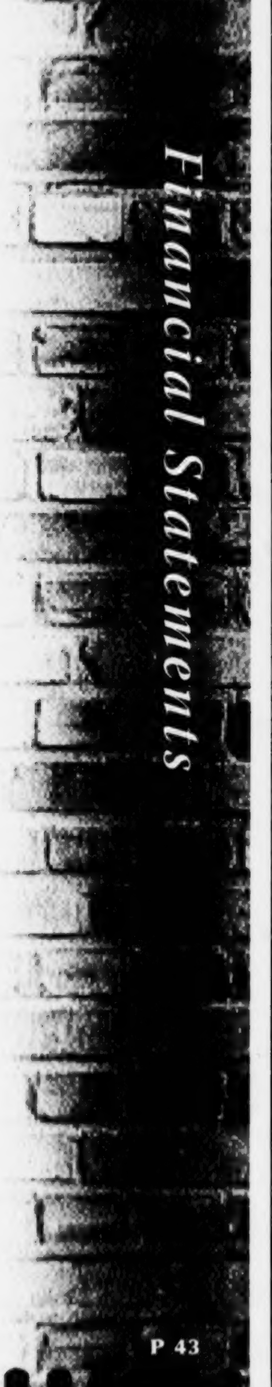

AUDITORS' REPORT

To the Board of Governors of Addictions Foundation of Manitoba

We have audited the statement of financial position of Addictions Foundation of Manitoba as at March 31, 2007 and the statements of revenue and expenses, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 1, 2007

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	$ 1,832,271	$ 2,111,788
Accounts receivable	558,663	561,386
Prepaid insurance	22,835	16,309
	2,413,769	2,689,483
Capital assets (note 3)	2,966,802	2,638,871
Due from Province of Manitoba:		
Vacation pay receivable [note 2(b)]	667,567	667,567
Pre-retirement pay receivable [note 2(c)]	1,153,316	1,153,316
Long term pension funding commitments [note 2(d)]	17,474,908	16,332,241
	19,295,791	18,153,124
	$ 24,676,362	$ 23,481,478
Liabilities, Deferred Contributions and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 895,420	$ 1,299,661
Accrued vacation pay [note 2(b)]	1,008,077	918,792
	1,903,497	2,218,453
Accrued pre-retirement pay [note 2(c)]	1,570,591	1,467,912
Provision for employee pension benefits [note 2(d)]	17,474,908	16,332,241
Deferred contributions (note 4)	58,500	59,500
Net assets:		
Invested in capital assets	2,966,802	2,638,871
Internally restricted (note 5)	1,338,300	962,000
Unrestricted	(636,236)	(197,499)
	3,668,866	3,403,372
Commitments (note 6)		
	$ 24,676,362	$ 23,481,478

See accompanying notes to financial statements.

On behalf of the Board of Governors:

Chairman

Treasurer

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Revenue and Expenses

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Government of the Province of Manitoba:		
Operating grant	$ 13,739,481	$ 13,176,400
Long term pension revenue [note 2(d) and 2(e)]	938,845	2,915,468
Other	528,401	177,817
Other:		
Impaired Drivers Program fees	662,595	656,663
Manitoba Lotteries Corporation funding	2,630,000	2,500,000
School Support Program	461,833	334,108
Recovery of wages, medical and treatment services and travel expenses	906,622	1,111,088
Training course fees	79,787	95,781
Donations	34,139	36,885
Interest	67,333	47,678
Property rental	24,397	29,946
Parking rentals	23,844	23,519
Manitoba Government and General Employees' Union	15,499	12,629
Miscellaneous	7,991	8,373
Conferences	22,985	15,620
Youth Residential Programs	339,050	277,425
Drug Treatment Court Program	280,596	202,340
Long term disability pension contribution refund	301,066	–
Youth Outreach Program	87,500	
Youth Stabilization Program	240,000	–
	21,391,964	21,621,740
Expenses (schedule)	21,126,470	21,804,728
Excess (deficiency) of revenue over expenses	$ 265,494	$ (182,988)

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Invested in capital assets	Internally restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	$ 2,638,871	$ 962,000	$ (197,499)	$ 3,403,372	$ 3,586,360
Excess (deficiency) of revenue over expenses	(175,726)	–	441,220	265,494	(182,988)
Investment in capital assets	503,657	–	(503,657)	–	–
Internally imposed restrictions, net (note 5)		376,300	(376,300)		
Balance, end of year	$ 2,966,802	$ 1,338,300	$ (636,236)	$ 3,668,866	$ 3,403,372

See accompanying notes to financial statements.

ADDICTIONS FOUNDATION OF MANITOBA

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 265,494	$ (182,988)
Items not involving cash:		
Amortization	175,726	191,594
Changes in the following:		
Accounts receivable	2,723	(304,795)
Prepaid insurance	(6,526)	(547)
Accounts payable and accrued liabilities	(404,241)	290,347
Accrued vacation pay	89,285	(42,129)
Accrued pre-retirement pay	102,679	(14,260)
Net change in deferred contributions	(1,000)	(26,100)
	224,140	(88,878)
Financing and investing activities:		
Additions to capital assets	(503,657)	(24,081)
Decrease in cash	(279,517)	(112,959)
Cash, beginning of year	2,111,788	2,224,747
Cash, end of year	$ 1,832,271	$ 2,111,788

See accompanying notes to financial statements.

1. **Nature of the Foundation:**

The Foundation is incorporated under the *Addictions Foundation of Manitoba Act*. The Foundation is the provincial authority for providing prevention, education and treatment programs related to addictions to individuals and communities, for conducting research into the negative effects of addictions, and in so doing, for promoting the health and well-being of Manitobans. In this respect, the Foundation is dependent upon funding from the Government of the Province of Manitoba. The Foundation is a registered charity within the meaning of the *Income Tax Act*.

2. **Significant accounting policies:**

The financial statements have been prepared in accordance with the significant accounting policies as set out below. Transactions and balances not specifically addressed by these accounting policies have been accounted for in accordance with Canadian generally accepted accounting principles.

(a) Internally restricted net assets:

Internally restricted net assets represent commitments for future expenditures on projects and capital expenditures. At the time the commitments are settled, expenditures are recorded in the balance sheet or statement of revenue and expenses as appropriate and the restrictions are reversed.

(b) Province of Manitoba vacation pay receivable:

The Foundation records a liability with respect to vacation pay entitlements accrued and unused as at year end. This amount is based on current remuneration.

The Foundation was instructed by the Province to record a receivable from the Province and accrue vacation pay liability as at March 31, 1995 in the amount of $667,567. Any subsequent variances in the vacation pay liability are recorded in the statement of revenue and expenses as the receivable from the Province will remain fixed. The Province has guaranteed payment of this amount, but has not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

2. **Significant accounting policies (continued):**

(c) Province of Manitoba pre-retirement pay receivable:

The Foundation is obligated to pay its employees severance pay upon their retirement. The accrued pre-retirement pay liability is determined based on actuarial probability factors established by the Province.

The Foundation was instructed by the Province to record a receivable from the Province and accrue pre retirement pay liability as at April 1, 1998 in the amount of $1,153,316. Any subsequent variances in the pre-retirement pay liability are recorded in the statement of revenue and expenses as the receivable from the Province will remain fixed. The Province has guaranteed payment of this amount, but has not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

(d) Province of Manitoba long term pension funding commitments:

Since April 1, 2000, the Foundation has recorded an obligation with respect to the pension plan which certain employees of the Foundation participate in. This obligation is determined by an actuarial valuation every three years with the liability for the intervening years determined using formulas provided by the actuary.

Since April 1, 2000, the Foundation has been instructed by the Province to record a receivable from the Province equal to the amount of the liability for employee pension benefits. The increase in the pension receivable is recorded as Government of the Province of Manitoba long-term pension revenue.

(e) Pension costs:

In accordance with the provisions of the *Manitoba Civil Service Superannuation Act*, the Foundation contributes approximately 50 percent of the pension disbursements made to retired employees of the Foundation. Pension costs for the year include the amount of this contribution as well as the increase in the unfunded pension liability during the fiscal year.

2. Significant accounting policies (continued):

The pension liability is determined by an actuarial valuation every three years with the liability for the intervening years determined using formulas provided by the actuary. The most recent valuation was as at December 31, 2004.

For all new employees hired on or after October 1, 2002, the Foundation is required to pay to the Province a contribution as follows:

- 5.1 percent on pensionable earnings up to yearly maximum pensionable earnings (YMPE); plus
- 7 percent on pensionable earnings in excess of YMPE

The Foundation recognizes a reduction in the amount of $203,822 (2006 - $133,235) in the Government of the Province of Manitoba long-term pension revenue for this equivalent contribution as incurred.

(f) Capital assets.

Purchased capital assets are recorded at cost and contributed capital assets are recorded at their fair value at the date of contribution. The amortization methods applicable to the various classes of assets are as follows.

Asset	Method	Rate
Buildings	Declining balance	5%
Computer equipment	Declining balance	30%
Furniture and equipment	Declining balance	20%
Leasehold improvements	Over term of lease	

(g) Revenue recognition:

The Foundation follows the deferral method of accounting for contributions. Restricted contributions are recognized as deferred contributions until the year in which the related expenses are incurred, at which time they are recognized as revenue. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. With respect to recovery of wages, medical and treatment services, revenue is recognized upon completion of the related treatment

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Capital assets:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Land	$ 535,065	$ –	$ 535,065	$ 535,065
Buildings	4,348,664	2,573,476	1,775,188	1,410,743
Computer equipment	776,305	584,129	192,176	213,907
Furniture and equipment	160,497	133,058	27,439	37,069
Leasehold improvements	639,425	202,491	436,934	442,087
	$ 6,459,956	$ 3,493,154	$ 2,966,802	$ 2,638,871

4. Deferred contributions:

	2007	2006
Balance, beginning of year	$ 59,500	$ 85,600
Amount recognized as revenue in the current year	(1,000)	(26,100)
Balance, end of year	$ 58,500	$ 59,500

5. Internally restricted net assets:

		2007		2006
Balance, beginning of year	$	962,000	$	937,600
Internal restrictions settled in the current year		(38,700)		(210,400)
Internal restrictions imposed for future years		415,000		234,800
		376,300		24,400
Balance, end of year	$	1,338,300	$	962,000

Internal restrictions have been imposed for the following:

		2007		2006
Retroactive Pay	$	295,000	$	–
Ontario Health Referrals potential cancellation		325,000		325,000
Pathways Conference		13,700		19,300
Provincial Technology Program		200,000		150,000
Youth Services		269,200		288,600
Problem Gambling Services Special Projects		235,400		179,100
	$	1,338,300	$	962,000

6. Commitments:

The Foundation leases buildings and equipment under long-term operating leases which expire at various dates between 2008 and 2012. Certain leases contain renewal options at rates to be negotiated. Future minimum lease payments required under operating leases that have initial lease terms in excess of one year are as follows:

2008	$	211,107
2009		178,880
2010		68,266
2011		29,031
2012		11,450
	$	498,734

Financial Statements

ADDICTIONS FOUNDATION OF MANITOBA

Notes to Financial Statements (continued)

Year ended March 31, 2007

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7. **Fair value:**

The fair value of the vacation pay receivable, the pre-retirement pay receivable and the long-term pension funding commitments from the Province of Manitoba and the accrued vacation pay, the accrued pre-retirement pay and the provision for employee pension benefits is not readily determinable due to their underlying terms and conditions [note 2(b), 2(c) and 2(d)].

The fair value of the Foundation's other financial assets and financial liabilities approximates their carrying value due to their short term to maturity.

ADDICTIONS FOUNDATION OF MANITOBA

Schedule - Expenses

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Salaries	$ 10,530,669	$ 9,598,694
Wages	2,704,813	2,728,945
Advertising and exhibits	94,105	83,047
Amortization	175,726	191,594
Audio-visual aids	24,250	15,512
Audit	23,190	18,681
Board of Governors' honorarium	14,902	14,860
Books, newspapers and periodicals	28,349	29,470
Courier and freight	35,245	33,623
Drug Treatment Court program	280,596	202,340
Educational literature	89,247	110,854
Employee benefits	1,198,970	1,169,663
Fees	637,592	595,927
Food supplies	347,741	333,830
Health and post-secondary education tax levy	264,955	266,709
Household supplies	87,387	83,626
Materials, repairs and maintenance	599,598	643,779
Medical services and supplies	338,554	286,212
Miscellaneous	6,184	2,335
Pension [note 2(e)]	1,977,997	3,655,609
Postage and telephone	295,709	283,260
Printing, stationery and office supplies	238,892	267,650
Rent, insurance and property taxes	375,633	380,117
Staff development	80,776	56,417
Training	21,673	37,283
Transportation of patients	21,349	16,391
Travel and automobile	408,003	475,466
Utilities	224,365	222,834
	$ 21,126,470	$ 21,804,728

BDO

BDO Dunwoody LLP
Chartered Accountants
and Advisors

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Auditors' Report

To the Members of
Assiniboine Community College

We have audited the statement of financial position of **Assiniboine Community College** as at June 30, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at June 30, 2006 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP
Chartered Accountants

Brandon, Manitoba
September 8, 2006

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2006
(in thousand $)

ASSETS	2006	2005
CURRENT		
Cash and short term investments (note 1)	2,246	1,635
Accounts receivable (note 2)	899	1,314
Due from Province of Manitoba (note 3)	522	511
Inventories (note 4)	589	532
Prepaids	590	531
	4,846	4,523
NON-CURRENT		
Due from Province of Manitoba (note 2)	1,999	1,999
CAPITAL ASSETS (note 5)		
Land, buildings and equipment	5,418	5,757
Library holdings	960	959
	6,378	6,716
	13,223	13,238

LIABILITIES AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities (note 6)	2,935	2,443
Deferred revenue (note 7)	1,160	1,447
	4,095	3,890
NON-CURRENT		
Accrued severance liability (note 8)	1,782	1,709
DEFERRED CONTRIBUTIONS		
Deferred contributions related to capital assets (note 9)	2,845	3,156
NET ASSETS		
Net assets invested in capital assets	3,531	3,559
Net assets internally restricted (note 10)	840	840
Unrestricted net assets	130	84
	4,501	4,483
	13,223	13,238

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF OPERATIONS
YEAR ENDED JUNE 30, 2006
(in thousand $)

	Budget (unaudited)	2006	2005
REVENUES			
Academic training fees	2,780	2,929	2,667
Grants	17,734	17,747	17,347
Market driven training	1,750	1,989	2,167
Continuing education	1,092	1,074	1,106
Ancillary services (bookstore)	1,253	1,125	1,150
Apprenticeship training	1,224	1,368	1,336
Other revenue	365	398	379
Amortization of deferred contributions	1,040	1,040	1,037
	27,238	27,670	27,189
EXPENDITURES			
Academic	16,536	16,818	16,649
Administration	5,160	5,480	4,928
Program support	1,111	1,043	1,032
Plant	421	398	384
Management information services	1,069	973	1,070
Library	263	273	337
Ancillary services	1,100	1,090	1,049
Amortization of capital assets	1,578	1,578	1,694
	27,238	27,653	27,143
EXCESS OF REVENUE OVER EXPENDITURES	-	17	46

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2006
(in thousand $)

	INVESTED IN CAPITAL ASSETS	INTERNALLY RESTRICTED	UNRESTRICTED	2006 TOTAL	2005 TOTAL
Balance - beginning of year	3,560	840	84	4,484	4,437
Excess of revenue over expenditures	-	-	17	17	46
Add: amortization of deferred contributions	1,040	-	(1,040)	-	-
Less: amortization of capital assets	(1,578)	-	1,578	-	-
Deferred contributions received from grant	(680)	-	680	-	-
Donated assets	(50)	-	50	-	-
Investment in capital assets	1,239	-	(1,239)	-	-
Balance - end of year	3,531	840	130	4,501	4,483

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2006
(in thousand $)

	2006	2005
Cash from operating activities		
Excess of revenues over expenditures	17	46
Amortization of capital assets	1,578	1,694
Amortization of deferred capital contributions	(1,040)	(1,037)
Loss on disposal of capital assets	-	-
Change in non-cash working capital items	565	258
Net cash generated through operating activities	1,120	961
Financing and investing activities		
Purchase of capital assets	(1,239)	(1,115)
Contributions received for capital purposes	680	798
Contributions received for capital purposes	50	-
Net cash used in financing and investing activities	(509)	(317)
Net increase in cash and short term investments	611	644
Cash and short term investments, beginning of year	1,635	991
Cash and short term investments, end of year	2,246	1,635

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Community College
Summary of Significant Accounting Policies

June 30, 2006

Operations

Assiniboine Community College operates under the authority of The Colleges Act, Chapter C150.1 of the Continuing Consolidation of the Statutes of Manitoba and is a registered charity under the Income Tax Act.

In accordance with the activities or objectives specified by donors and other sources outside the College and in keeping with their mandate to operate the College, the Board of Governors may approve transfers between funds to achieve the financial objectives of the College. Effective June 1998, the Assiniboine Community College Foundation was created to administer the collection and disbursement of endowment funds and undertake fundraising events.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable, and severance liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. Accounts receivable are not concentrated to any one or group of students or organizations. Likewise, trade payables are subject to normal credit terms and are not concentrated to any one or group of suppliers. Amounts relating to severance and vacation liabilities are not subject to interest, penalties or set terms of repayment.

Investments

Investments are recorded at the lower of cost or market value.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out method.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight-line method at 20% per annum for acquisitions prior to June 30, 2002. For acquisitions in 2002 and future years, amortization is provided using the straight-line method at the following rates:

Buildings	2 %
Leasehold improvements	Term equal to the length of the lease plus one renewal term, or 2% per annum if no specified lease term
Computer systems	20 %
Computer equipment	33 %
Furniture and equipment	20 %

No amortization is taken in the year of acquisition. Contributed capital assets are recorded at the fair value at the date of contribution.

A base library was established at April 1, 1993. Library holdings are accounted for using the "base stock" method with current library acquisitions not capitalized because annual library acquisitions net of annual library dispositions are not significant.

Leases

A lease that transfers substantially all of the benefits and risks of ownership is classified as a capital lease. The College evaluates all leases at the inception of the lease agreement to determine if it should be classified as a capital or operating lease. Where a capital lease is identified, the amount of the payment made each year is capitalized and amortized using the straight-line method over the lesser of five years or the remaining lease term. All other leases are accounted for as operating leases and rental payments are expensed as incurred.

Revenue Recognition

The College uses the deferral method of accounting for contributions. Restricted contributions are deferred and matched with related expenses as incurred.

Deferred Revenue

Revenue received in the current year, but not spent until the following fiscal year, is deferred and matched with the related expenditures.

Revenue Recognition

Government grants are recognized when the final amount to be received is readily determinable.

Tuition and other training revenue is recognized when the final amount to be received is readily determinable. In the case of funding received for programs taking place over a period of time longer than 1 year, the revenues are recognized when the related expenditures are incurred.

The deferral method of accounting for contributions is used. Restricted contributions are deferred and match with the related expenses when incurred.

Donations are reported when received. Donations of Capital Assets are reported at fair market value.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Cash and short-term investments

		2006		2005
Cash	$	439	$	286
Term deposits - Manitoba Finance		1,807		1,349
	$	2,246	$	1,635
Market value	$	2,246	$	1,635

2. Accounts Receivable

		2006		2005
Tuition and contract training	$	900	$	1,310
Goods and Services Tax rebate		33		24
Allowance for doubtful accounts		(34)		(20)
	$	899	$	1,314

3. Due from Province of Manitoba

	2006	2005
Current		
Property taxes	$ 331	$ 331
Accommodation cost-recovery system	180	180
10% tuition rebate	11	-
	$ 522	$ 511
Non-current		
Vacation pay	$ 875	$ 875
Severance pay	1,124	1,124
	$ 1,999	$ 1,999
	$ 2,521	$ 2,510

The Province of Manitoba has guaranteed the receivable for severance and vacation pay in the amount of $1,999,250 (in actual $). The amount of this deferred funding was established in 1998 and was calculated as the severance and vacation pay owing at that time to employees for pre-1998 employee service. The amount of this receivable will not change as the liability for vacation and severance pay increases or decreases on an annual basis. The receivable is non-interest bearing and no payment terms have been established. To date, the College has paid out $558,382 in severance pay relating to pre-1998 employee service (in actual $). No payments have been received from the Province with respect to this receivable.

4. Inventories

	2006	2005
Books and supplies	$ 589	$ 532

5. Capital assets

	2006	2005
Net book value, beginning of year	$ 5,757	$ 6,335
Add: Purchases	1,239	1,116
	6,996	7,451
Less: Current year amortization	(1,578)	(1,694)
	$ 5,418	$ 5,757
Library holdings, at estimated value	$ 960	$ 959

6. Accounts payable and accrued liabilities

	2006	2005
Trade payables	$ 938	$ 539
Accrued vacation pay	1,997	1,904
	$ 2,935	$ 2,443

7. Deferred revenue

	2006	2005
Tuition and commitment fees	$ 244	$ 340
Contract training fees	712	1,073
Classroom rentals, parking and other deferrals	204	34
	$ 1,160	$ 1,447

8. Accrued Severence Liability

	2006
Service to date obligations at June 30, 2005	$ 1,709,220
Add: interest	128,192
Add: current service costs	88,249
Less: actual payouts over the period	143,917
Service to date obligations at June 30, 2006	$ 1,781,744

The service to date obligation is calculated based on an actuarial report as at March 31, 2005. The calculations used in the actuarial report to determine the liability outstanding as at March 31, 2005 are applied to the current year to determine the estimated accrued severence liability at June 30, 2006.

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent the unamortized portion of contributed capital assets and restricted contributions received from the Manitoba Council for Post-Secondary Education that were used to purchase the College's capital assets. Recognition of these amounts as revenue is deferred to periods when the related capital assets are amortized.

	2006	2005
Balance, beginning of year	$ 3,155	$ 3,395
Add: Capital contributions during the year		
Government grant	680	797
Add: Donations in kind	50	-
Less: Current year amortization	(1,040)	(1,037)
Net book value, end of year	$ 2,845	$ 3,155

10. Net Assets Internally Restricted

	General Operating Reserve	General Capital Reserve	General Technology Reserve	Total Reserve
Opening balance	$ 435	$ 64	$ 341	$ 840
Appropriations	-	-	-	-
Withdrawals	-	-	-	-
Ending balance	$ 435	$ 64	$ 341	$ 840

11. Grants

	COPSE Grant	Aboriginal Healing Grant	Other Grants	Total Grants
Grants Received	$ 18,645,759	$ -	$ -	$ 18,645,759
Add:				
Release of deferred revenue	11,232	-	-	11,232
Less:				
Deferred capital contributions	(680,200)	-	-	(680,200)
	$ 17,976,791	$ -	$ -	$ 17,976,791
Represented by:				
Base	$ 17,746,791	$ -	$ -	$ 17,746,791
Market Driven Training	230,000	-	-	230,000
	$ 17,976,791	$ -	$ -	$ 17,976,791

12. Pension Costs and Obligations

The College's employees are eligible for membership in the Civil Service Superannuation Plan operated by the Province of Manitoba. Although this is a defined benefit pension plan, any experience gains or losses determined by actuarial valuations are the responsibility of the Province of Manitoba. Accordingly, no disclosure has been made in the financial statements relating to the effects of participation in the pension plan by the College and its employees. Effective October 1, 2002, the College is responsible for paying their portion of the current pension costs on behalf of all employees enrolled in the Civil Service Superannuation Plan.

13. Related Party Transactions

During the year the College provided a grant of $7,850 (2005 - $7,850) to Assiniboine Community College Foundation Inc. (in actual $), a grant of $5,000 (2005 - $10,000) to Assiniboine Campus Radio Society Inc. (in actual $), and a grant of $16,020 (2005 - Nil) to the student association (in actual $). Transactions with the Assiniboine Community College Foundation Inc., Assiniboine Campus Radio Society Inc., and the Student Association are measured at the exchange amount.

14. Commitments

The College has entered into various leases for classroom space, office equipment and a maintenance agreement for the Colleague computer system. The following represents the future payments:

2006/07	$	335
2007/08		288
2008/09		143

15. Economic Dependence

The College presently receives annual funding of approximately $18,645,759 ($18,255,426 in 2005) from the Province of Manitoba to finance operations and capital acquisitions (in actual $). Without such funding, future viability of the College is not assured. Transactions with the Province of Manitoba are measured at the exchange amount.

16. Income Taxes

The College is exempt from income taxes.

17. Consolidation

The activities of the Assiniboine Community College Foundation Inc. and the Assiniboine Campus-Radio Society Inc. have not been consolidated with the accounts of Assiniboine Community College. The above entities are not controlled or significantly influenced by the College and are governed by their own Board of Directors. The effect of these entities on the financial statements of the College, had these entities been consolidated, would be as follows (in actual dollars):

	Increase (Decrease)
Cash	$ 9,786
Cash - restricted	105,346
Accounts receivable	109,480
Investments	949,647
Equipment	10,660
Accounts payable	1,062
Deferred revenue	29,691
Deferred contributions	421,954
Unrestricted net assets	(13,281)
Endowment funds	734,831
Invested in capital assets	8,528
Revenue	254,437
Expenditures	256,048

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF REVENUES
YEAR ENDED JUNE 30, 2006
(in thousand $)

Schedule 1

	Budget (unaudited)	2006	2005
Academic Training Fees			
Day program tuition fees	2,780	2,929	2,667
Grants			
Provincial (note 10)	17,729	17,747	17,316
Industry partnerships	5	-	31
	17,734	17,747	17,347
Market Driven / Contract Training (schedule 2)	1,750	1,989	2,167
Continuing Education (schedule 3)	1,092	1,074	1,106
Ancillary Services (schedule 4)	1,253	1,125	1,150
Apprenticeship Training (schedule 5)	1,224	1,368	1,336
Sundry and Other Revenue			
Interest	80	133	79
Other	285	265	300
	365	398	379
Amortization of deferred capital contributions	1,040	1,040	1,037
Total Revenue	27,238	27,670	27,189

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
SCHEDULE OF EXPENDITURES
YEAR ENDED JUNE 30, 2006
(in thousand $)

Schedule 1
Continued

	Budget (unaudited)	2006	2005
Salaries			
Instructional	10,129	**10,450**	10,376
Administrative	2,182	**2,173**	1,925
Program Support	143	**143**	138
Fringe Benefits	1,080	**1,068**	1,027
Operating	3,002	**2,984**	3,183
	16,536	**16,818**	16,649
Administration			
Salaries	2,254	**2,473**	2,145
Fringe Benefits	499	**550**	466
Operating	2,407	**2,457**	2,317
	5,160	**5,480**	4,928
Program Support			
Salaries	918	**881**	818
Fringe Benefits	80	**75**	69
Operating	113	**87**	145
	1,111	**1,043**	1,032
Plant			
Salaries	298	**288**	278
Fringe Benefits	31	**29**	27
Operating	92	**81**	79
	421	**398**	384
Management Information Services			
Salaries	651	**668**	666
Fringe Benefits	55	**55**	56
Operating	363	**250**	348
	1,069	**973**	1,070
Library			
Salaries	170	**165**	240
Fringe Benefits	20	**16**	21
Operating	73	**92**	76
	263	**273**	337
Ancillary Services (schedule 4)	1,100	**1,090**	1,049
Amortization of Capital Assets	1,578	**1,578**	1,694
Total Expenditures	27,238	**27,653**	27,143

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
MARKET DRIVEN TRAINING
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2006
(in thousand $)

Schedule 2

	Budget (unaudited)	**2006**	2005
Revenue			
Tuition fee contracts	37	**43**	27
Contract training	1,307	**1,486**	1,898
Grants	396	**450**	226
Other revenue	10	**10**	16
Total Revenue	1,750	**1,989**	2,167
Expenditures			
Direct Expenditures			
Instructional salaries	709	**933**	964
Fringe benefits	65	**84**	84
Operating	405	**236**	569
	1,179	**1,253**	1,617
Indirect Expenditures			
Administrative salaries	190	**170**	192
Fringe benefits	15	**13**	15
Operating	15	**14**	14
	220	**197**	221
Total Expenditures	1,399	**1,450**	1,838
Excess of Revenue over expenditures	351	**539**	329

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
CONTINUING EDUCATION
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2006
(in thousand $)

Schedule 3

	Budget (unaudited)	2006	2005
Revenue			
Brandon campus	433	425	548
Dauphin campus	144	176	141
Regional Centres	515	473	417
Total Revenue	1,092	1,074	1,106
Expenditures			
Direct Expenditures			
Instructional salaries	371	436	373
Fringe benefits	36	35	31
Operating	265	345	290
	672	816	694
Indirect Expenditures			
Administrative salaries	478	475	475
Fringe benefits	47	44	44
Operating	130	142	127
	655	661	646
Total Expenditures	1,327	1,477	1,340
Deficiency of Revenue over Expenditures	(235)	(403)	(234)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
ANCILLARY SERVICES
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2006
(in thousand $)

Schedule 4

	Budget (unaudited)	2006	2005
Revenue	1,253	**1,125**	1,150
Expenditures			
Cost of goods sold	904	**897**	872
Salaries & benefits	131	**132**	127
Operating	64	**61**	50
Total Expenditures	1,099	**1,090**	1,049
Excess of Revenue over Expenditures	154	**35**	101

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ASSINIBOINE COMMUNITY COLLEGE
APPRENTICESHIP
SCHEDULE OF REVENUE AND EXPENDITURES
YEAR ENDED JUNE 30, 2006
(in thousand $)

Schedule 5

	Budget (unaudited)	2006	2005
Revenue			
Tuition Revenue	1,224	1,368	1,336
Expenditures			
Direct Expenditures			
Instructional salaries	928	1,003	906
Fringe benefits	83	88	77
Operating	224	257	203
Total Expenditures	1,235	1,348	1,186
Excess (Deficiency) of Revenue over Expenditures	(11)	20	150

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Assiniboine Community College
Board Member Compensation

For the year ended June 30		2006
Harvey Armstrong	$	1,800
David Barnes		1,500
Janet Chaboyer		1,500
Kim Fallis		1,800
Jane Hunter		2,100
Joseph Kay		1,800
Erin Lambert		1,500
Louis Lapointe		1,800
Vince Lelond		150
Mary Neil		750
Allen Patterson		3,000
Steve Prince		1,200
Brent Richards		1,800
Brettney Wray		300
	$	21,000

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors under The Embalmers and Funeral Directors Act

We have audited the statement of financial position of the Board of Administration under The Embalmers and Funeral Directors Act as at December 31, 2006 and the statements of operations and changes in unrestricted net assets and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
April 3, 2007

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Financial Position
December 31, 2006

ASSETS	2006	2005
Current Assets		
Cash	$ 25,246	$ 24,363
Short-term Investments (note 3)	13,320	13,104
Accrued Interest Receivable	263	213
Total Current Assets	38,829	37,680
Non-Current Assets		
Accrued Interest Receivable	4,311	2,284
Long-term Investments (notes 3 and 4)	50,000	50,000
Total Non-Current Assets	54,311	52,284
	$ 93,140	$ 89,964

LIABILITIES AND UNRESTRICTED NET ASSETS	2006	2005
Current Liabilities		
Accounts Payable and Accrued Liabilities	$ 3,582	$ 3,124
Deferred Revenue	22,900	27,200
Total Current Liabilities	26,482	30,324
Unrestricted Net Assets	66,658	59,640
	$ 93,140	$ 89,964

Approved on Behalf of The Board of Administration

Caroline Kaus
Caroline Kaus
Chairperson

Tracy Wevursky
Tracy Wevursky
Secretary-Treasurer

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Cash Flows
For the year ended December 31, 2006

	2006	2005
Cash Flows from Operating Activities		
Licence Fees	$ 28,700	$ 35,800
Interest on Short-term Investments	216	213
Graduation	(900)	(1,075)
Audit	(2,600)	(2,600)
Honoraria - Registrar	(8,000)	(8,000)
Honoraria - Board Members	(6,758)	(6,322)
Miscellaneous	(388)	(1,659)
Board Meetings	(3,911)	(4,789)
Communications	(1,492)	(1,178)
Conferences	(2,447)	(991)
Office Supplies and Postage	(629)	(1,816)
Legal Fees	(692)	(2,758)
Net Cash provided by Operating Activities	1,099	4,825
Cash Flows from Investing Activities		
Purchases of Guaranteed Investment Certificates	(13,320)	(13,104)
Maturities of Guaranteed Investment Certificates	13,104	12,891
Net Cash (used in) provided by Investing Activities	(216)	(213)
Net Increase in Cash	883	4,612
Cash, beginning of the year	24,363	19,751
Cash, end of year	$ 25,246	$ 24,363

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Statement of Operations and Changes in Unrestricted Net Assets
for the year ended December 31, 2006

REVENUE	2006	2005
Funeral Home Licences	$ 9,000	$ 8,600
Embalmer and Funeral Director Licences	24,000	23,500
Interest	2,293	1,440
	35,293	33,540
EXPENSES		
Audit	3,120	2,800
Honoraria - Board Members	6,649	6,104
Honoraria - Registrar	8,000	8,000
Miscellaneous	388	1,096
Board Meetings	3,911	3,991
Graduation	900	1,075
Communications	1,513	1,178
Office Supplies and Postage	655	754
Conferences	2,447	1,594
Legal Fees	692	2,479
	28,275	29,071
Excess (Deficiency) of Revenue Over Expenses	7,018	4,469
Unrestricted Net Assets Beginning of the Year	59,640	55,171
Unrestricted Net Assets End of the Year	$ 66,658	$ 59,640

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to Financial Statements
For the year ended December 31, 2006

1. Nature of Operations

The Embalmers and Funeral Directors Act established The Board of Administration to licence and regulate Embalmers and Funeral Directors and to prescribe the courses of training and instruction for articling students.

2. Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

3. Summary of Significant Accounting Policies:

a) Investments

Short-term Investments are carried at cost, which approximates fair value.

Long-term Investments are recorded at cost. If the fair value of these investments falls below cost and this decline in value is considered to be other than temporary, the investments are written-down to fair value.

b) Revenue Recognition

The board recognizes revenue for Funeral Home Licenses and Embalmer and Funeral Director Licenses on an accrual basis.

Revenue from interest earned on long term investments is recognized on an accrual basis.

c) Contributed Services

During the year, the Province of Manitoba provided the services of administrative and accounting staff to the Board at no cost. Because of the difficulty of estimating the fair value of such services, no contributed services are recognized in these financial statements.

d) Use of Estimates

In preparing these financial statements, management must make estimates and assumptions that primarily affect the reported values of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

e) Financial Instruments

The Board's financial instruments consist of cash, short-term investments, long-term investments and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of each of these financial instruments approximates their respective carrying value.

THE BOARD OF ADMINISTRATION
UNDER THE EMBALMERS AND FUNERAL DIRECTORS ACT

Notes to Financial Statements
For the year ended December 31, 2006

4 Long-term Investments

Long-term Investments are invested in Guaranteed Investment Certificates (GICs) with various maturities and interest rates as follows:

	2006	2005
i.) CIBC Cashable Escalating Rate GIC Maturity Date: January 5, 2008 Interest Rate 3.10%	$15,000	$15,000
ii.) CIBC Cashable Escalating Rate GIC Maturity Date: January 5, 2009 Interest Rate 3.50%	15,000	15,000
iii.) CIBC Non-Cashable Escalating Rate GIC Maturity Date: January 5, 2008 Interest Rate 3.00 %	20,000	20,000
	$50,000	$50,000

5 The Public Sector Compensation Disclosure Act

In accordance with Section 2 of The Public Sector Compensation Disclosure Act, the following summarizes compensation paid during the year ended December 31, 2005:

(i) No individual received compensation of $50,000 or more;
(ii) The Board has no employees;
(iii) The aggregate amount paid to Board members was:

	2006	2005
(a) Honoraria, Board Members	$6,649	$6,104
(b) Honoraria, Registrar	$8,000	$8,000

BRANDON UNIVERSITY

Responsibility for Financial Statements

The Office of the Vice-President (Administration & Finance) of Brandon University is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements are prepared in conformity with the accounting policies noted in the financial statements, and are reviewed and approved by the Board of Governors. The statements are examined by the Provincial Auditor of the Province of Manitoba, whose opinion is included herein.

To fulfil its responsibility, the University maintains internal control systems to provide reasonable assurance that relevant and reliable financial information is produced.

Scott Stewart	Scott J. B. Lamont, CGA, MBA
Treasurer, Board of Governors	Vice-President (Administration & Finance)

May 11, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Governors of Brandon University

We have audited the statement of financial position of Brandon University as at March 31, 2007 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
May 11, 2007

Carol Bellringer, FCA•MBA
Auditor General

Brandon University

Statement of Financial Position
as at March 31, 2007

ASSETS

	2007	2006
Current Assets		
Cash and cash equivalents (note 3)	$ 6,765,842	$ 4,574,416
Accounts receivable	1,685,569	3,411,212
Inventory	409,040	429,030
Prepaid expenses	253,958	307,076
	9,114,409	8,721,734
Loan receivable (note 8)	-	43,560
Capital Assets and Collections (notes 2E and 6)	40,945,646	41,466,193
	$ 50,060,055	$ 50,231,487

LIABILITIES & NET ASSETS

	2007	2006
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,554,663	$ 3,417,483
Deferred income	248,437	304,233
Deferred contributions (note 7)	2,865,905	2,355,353
Current portion of long term debt (note 11)	103,985	97,990
	6,772,990	6,175,059
Long term Liability		
Mortgages payable (note 11)	1,426,420	1,530,405
Unamortized Deferred Capital Contributions (note 7)	32,156,051	33,717,703
Net Assets		
Unrestricted net assets	1,914,538	2,192,761
Internally restricted net assets (note 5)	530,864	495,462
Investment in capital assets and collections	7,259,192	6,120,097
	9,704,594	8,808,320
	$ 50,060,055	$ 50,231,487

Approved by the Brandon University
Board of Governors on June 28, 2007

Treasurer

Vice-President (Administration & Finance)

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Changes in Net Assets
for the year ended March 31, 2007

	Unrestricted Net Assets	Internally Restricted Net Assets	Investment in Capital Assets and Collections	Total 2007	Total 2006
Balance, beginning of year	$ 2,192,761	$ 495,462	$ 6,120,097	$ 8,808,320	$ 7,633,023
Reclassify account balances	(2,753)			(2,753)	
Restated balance, beginning of year	2,190,008	495,462	6,120,097	8,805,567	7,633,023
Excess of revenues over expenses	857,887			857,887	1,142,033
Direct increases to net assets					
Donations of capital assets			41,140	41,140	33,264
Transfers					
Internally funded					
Capital asset additions	(1,732,804)		1,732,804		
Capital asset disposals (net)	12,400		(12,400)		
Amortization	720,439		(720,439)		
Repayment of long term debt	(97,990)		97,990		
Allocation to internally restricted net assets	(186,342)	186,342			
Internally restricted net asset purchases	150,940	(150,940)			
Balance, end of year	$ 1,914,538	$ 530,864	$ 7,259,192	$ 9,704,594	$ 8,808,320

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Operations
for the Year Ended March 31, 2007

	2007	2006
Revenues		
Tuition fees and other student fees	$ 9,679,692	$ 9,887,643
Grants		
Council on Post-Secondary Education	27,714,213	26,876,891
Province of Manitoba	540,403	420,029
Government of Canada	1,768,023	1,914,228
Sales of goods and services	6,440,886	5,963,612
Brandon University Foundation	2,071,568	1,785,291
Amortization of deferred capital contributions	2,281,090	1,617,527
Gain on disposal of capital assets	76,985	
Miscellaneous	1,148,058	781,544
	51,720,918	49,246,765
Expenses		
Salaries - academic	17,510,541	16,892,662
Salaries - support	11,340,040	11,137,176
Benefits	4,375,852	4,229,867
Travel	1,662,348	1,723,307
Supplies and consumable expenses	7,109,619	6,003,625
Major renovations	1,375,570	374,687
Property taxes	134,175	499,893
Utilities	1,207,085	1,348,042
Cost of goods sold	1,915,022	1,923,986
Scholarships and bursaries	1,005,420	980,786
Interest on long term debt	118,598	124,490
Amortization expense	3,001,530	2,816,828
Loss on disposal of capital assets		999
Increase in amount of accrued expenses	107,231	48,384
	50,863,031	48,104,732
Excess of revenues over expenses	$ 857,887	$ 1,142,033

The accompanying notes are an integral part of these financial statements.

Brandon University

Statement of Cash Flow
for the Year Ended March 31, 2007

	2007	2006
Cash Provided By (Used In) Operating Activities		
Excess of revenues over expenses	$ 857,887	$ 1,142,033
Items not affecting cash flow		
Amortization of deferred capital contributions	(2,281,090)	(1,617,527)
Amortization of capital assets	3,001,530	2,816,828
Loss/(gain) on disposal of capital assets	(76,985)	999
Increase in non-cash operating working capital	2,387,934	(1,417,831)
	3,889,276	924,502
Cash Provided By (Used In) Investing Activities		
Decrease in loan receivable	43,560	6,996
Capital asset additions	(2,493,383)	(2,485,483)
Proceeds on disposal of capital assets	89,385	3,092
	(2,360,438)	(2,475,395)
Cash Provided By (Used In) Financing Activities		
Long term debt repayments	(97,990)	(92,097)
Capital contributions received	760,578	1,082,729
	662,588	990,632
Increase/(Decrease) in cash and cash equivalents	2,191,426	(560,261)
Cash and cash equivalents, beginning of year	4,574,416	5,134,677
Cash and cash equivalents, end of year	$ 6,765,842	$ 4,574,416

The accompanying notes are an integral part of these financial statements.

1. Authority and Purpose

Brandon University operates under the authority of the Brandon University Act of the Province of Manitoba. Brandon University offers undergraduate programs in arts, science, education, music, and health studies; and offers graduate programs in education, music and rural development. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies and Reporting Practices

A. General

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organizations.

B. Revenue Recognition

Operating grants are recognized as revenue in the period received. Revenues received for the provision of goods and services are recognized in the period in which the goods are provided or the services rendered or substantially rendered and collection is reasonably assured.

The University accounts for contributions using the deferral method. Deferred contributions are externally restricted non-capital contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred. Externally restricted amounts can only be used for the purposes designated by external parties.

Externally restricted contributions for the acquisition of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received and, when expended, are transferred to unamortized deferred capital contributions. Unamortized deferred capital contributions are recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

C. Short Term Investments

Short term investments are recorded at cost and are unspent operating, capital and restricted funds that are invested to generate income used to fund general operations of the University. Short term investments also includes a mutual fund that provides a benefit provision for a former WESTARC employee as a part of that individual's contract of employment.

D. Brandon University Foundation

Funds transferred from the Brandon University Foundation to the University are recorded as revenue in the period they were received by the University.

The accounts of the Brandon University Foundation do not form part of the financial statements of the University. The financial statements of the Foundation are audited on an annual basis.

E. Capital Assets and Collections

Capital assets purchased by the University are recorded at cost. Donated assets are recorded at the fair market value on the date received. On the disposition of a capital asset, both the cost and any accumulated amortization are removed from the accounts.

Capital assets are amortized on a straight line basis over the estimated useful lives of the assets. Amortization rates are as follows:

Buildings	50 years
Furnishings and equipment	10 years
Computer equipment	5 years
Vehicles	5 years
Library collections	10 years

The capital assets include collections of works of art, gemstones and rare books which have been donated to the University. These collections are not amortized.

F. Inventory

Inventories are valued at the lower of cost and net realizable value.

G. Pension Plans

The University contributes to the Brandon University Retirement Plan which is a trustee-administered pension plan for University employees. Contributions by the University are recorded as expenses.

The accounts of the Brandon University Retirement Plan do not form part of the financial statements of the University. The Auditor General audits the financial statements of the Plan.

H. Use of Estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts and determination of useful lives of capital assets for amortization. Actual results could differ from these estimates.

3. Cash and Cash Equivalents

Cash and cash equivalents are summarized as follows:

	2007	2006
Cash	$ 2,882,968	$ 1,827,047
Short term investments	3,835,876	2,700,371
Mutual funds	46,998	46,998
	$ 6,765,842	$ 4,574,416

The fair market value of the short term investments and mutual funds is $ 3,906,658 (2006 -$ 2,767,415).

4. Brandon University Foundation

The Brandon University Foundation operates under the authority of the Brandon University Foundation Act. The Foundation is dedicated to promoting the advancement of higher education at Brandon University and improving the quality of its facilities and activities by raising funds for future operation and capital expenditures, research and student awards.

Brandon University Foundation is not a controlled entity of Brandon University however, in the event of the dissolution of the Foundation, after the payment of all debts and liabilities, any remaining rights, property and assets of the Foundation shall be transferred or assigned to Brandon University as long as it is at that time a charitable, non-profit corporation.

The Foundation follows the deferral method of accounting for contributions. The investments of the Foundation are recorded at cost. The financial position of the Foundation as at December 31 is summarized as follows:

Statement of Financial Position

	2006	2005
Assets	$ 35,342,145	$ 27,553,976
Liabilities	$ 1,523,664	$ 1,124,044
Deferred contributions	7,386,303	2,482,454
Net Assets		
Unrestricted and internally restricted net assets	385,328	131,010
Endowment funds	26,046,850	23,816,468
	26,432,178	23,947,478
Total Liabilities and Net Assets	$ 35,342,145	$ 27,553,976

Statement of Operations

	2006	2005
Revenue		
Investment income	$ 1,100,089	$ 666,076
Donations	596,138	748,507
Other contributions	206,647	259,184
	1,902,874	1,673,767
Expense		
Grants to Brandon University	1,119,422	980,768
Scholarships and bursaries	758,982	711,693
Campaign expenses - BU & You	448,736	
Other expenses	64,081	38,242
	2,391,221	1,730,703
Net loss for the year	$ (488,347)	$ (56,936)

The net result of the transactions from January 1, 2007 to March 31, 2007 was a gain of $ 643,509 (2006 - $ 288,757) and an unrealized investment loss of $ 746,457 (2006 - $ -).

The value of outstanding pledges to the Foundation as at March 31, 2007 is $ 651,405 (2006 - $ 870,008). These will be recorded as revenue by the University when transferred to the University from the Foundation.

5. Internally Restricted Net Assets

Internally restricted net assets represent amounts set aside by the University for the following specific purposes:

	Opening Balance	Current Provision	Purchases	2007 Closing Balance
Ancillary Services	$ 294,467	$ 137,790	$	$ 432,257
Building renovations	88,890		(88,890)	
Facility & Wellness Fee	23,862			23,862
Mail/Print services	1,350		(37,789)	(36,439)
Telephone replacement	72,984	48,552	(24,261)	97,275
Vehicle replacement	13,909			13,909
	$ 495,462	$ 186,342	$ (150,940)	$ 530,864

6. Capital Assets and Collections

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Land	$ 498,680	$	$ 498,680	$ 500,530
Buildings	63,882,710	(33,380,218)	30,502,492	31,822,754
Furniture and equipment	17,995,634	(11,546,304)	6,449,330	5,809,529
Library collections	7,935,188	(5,626,260)	2,308,928	2,188,304
Collections	1,186,216		1,186,216	1,145,076
	$ 91,498,428	$(50,552,782)	$ 40,945,646	$ 41,466,193

Capital asset additions during the year included donations in kind in the amount of $ 41,140 (2006- $ 33,264).

7. Deferred Contributions and Unamortized Deferred Capital Contributions

Deferred contributions represent contributions received for special purposes and unspent funds for restricted purposes. Unamortized deferred capital contributions represent the funded portion of capital assets which will be recognized as revenue in future periods and matched against the applicable amortization charged in that period. Changes in the deferred contributions and unamortized deferred capital contributions balances are as follows:

	2007 Deferred Contributions	2007 Unamortized Deferred Capital Contributions	2006 Deferred Contributions	2006 Unamortized Deferred Capital Contributions
Balance, beginning of year	$ 2,355,353	$ 33,717,703	$ 2,699,202	$ 34,285,765
Contributions received	7,754,056		7,369,601	
Transfers to revenue				
Tuition, grants and contributions	(6,524,066)		(6,663,985)	
Amortization of assets acquired from capital assets		(2,281,090)		(1,617,527)
Transferred to acquire capital assets	(719,438)	719,438	(1,049,465)	1,049,465
Balance, end of year	$ 2,865,905	$ 32,156,051	$ 2,355,353	$ 33,717,703
Balance consists of:				
Research	$ 2,374,679		$ 2,006,055	
Special programs	491,226		349,298	
	$ 2,865,905		$ 2,355,353	

8. Loan Receivable

The University issued a loan of $96,240 to Bran-U-Day Care Inc. on April 1, 1995 to cover the remaining debt on the building. The terms are weekly installments of $173.73 continuing weekly up to and including the 1st day of June, 2009. The rate of interest for this 5 year period is the 5-year variable rate charged by CIBC to residential customers.

On March 31, 2007 Bran-U-Daycare retired the loan.

The loan receivable as at March 31, 2007, was $ - (2006- $ 43,560).

9. Pension Plans

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The assets of the Plan are held by CIBC Mellon Global Securities Services Company in the name of ten trustees - eight elected by and from the Plan membership and two appointed by the Board of Governors. The trustees oversee the administration of the Plan and set forth the investment guidelines. Their obligations and responsibilities are defined in a trust agreement with Brandon University. Connor, Clark & Lunn Investment Management Ltd.

invests the Plan assets according to an agreement with the trustees and as required by law. The Plan is registered with the Pension Commission of Manitoba and meets the requirements of the Pension Benefits Act of Manitoba. Unless otherwise stated, all Brandon University employees are eligible to become members of the Plan on their date of employment. Full-time and certain part-time employees are required to join the Plan. Membership is optional for other part-time and certain specified employees. The Plan receives its funds from the contributions of members, the required and special contributions of Brandon University and the income from investments.

Actuarial valuations of the Brandon University Retirement Plan are carried out every three years and provide an estimate of the accrued pension benefits. The actuarial present value of accrued pension benefits was determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. Based on the latest actuarial valuation of the plan conducted by Eckler Ltd., a firm of consulting actuaries, as at December 31, 2006 the accrued pension benefits were $91,657,000. This valuation established a Plan surplus of $4,053,000 using the accrued benefit method as at that date. The next actuarial valuation is required as at December 31, 2009 and will be completed in 2010.

The actuarial present value of pension benefits as at December 31, and the principal components of changes in the actuarial present values during the year, were as follows:

	(in thousands of dollars) **2006**	**2005**
Actuarial present value of accrued pension benefits, beginning of year	$ 83,453	$ 79,492
Interest accrued on benefits	5,000	4,746
Benefits accrued	3,445	3,173
Benefits paid	(3,680)	(3,958)
Actuarial gain	3,439	
Actuarial present value of accrued pension benefits, end of year	$ 91,657	$ 83,453

The assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long-term market conditions. Significant actuarial assumptions used in the valuation at December 31, 2006 were:

Rate of return on investments	5.75%
Rate of salary increases	4.00%

The actuarial value of net assets available for pension benefits has been determined at amounts that reflect long-term market trends (consistent with the assumptions underlying the valuation of accrued pension benefits). The valuation is based on a four-year moving average market method with the market value being the underlying basis. The method has been slightly modified this year. Last year, the market value was adjusted by amortizing the fund's gains or losses over a four year period. This year, the market value has been adjusted by amortizing over a four year period the differences in each year between the fund's actual return and a 5.75% return.

The actuarial values of net assets as at December 31 were:

	(in thousands of dollars) **2006**	**2005**
Market value of net assets available for pension benefits	$ 103,318	$ 92,509
Market value changes not reflected in the actuarial value of net assets	(7,608)	(9,551)
Actuarial value of net assets available for pension benefits	$ 95,710	$ 82,958

Pension contributions by the University for the year ended March 31, 2007 were $ 1,606,957 (2006 - $ 1,608,522).

10. Accrued Expenses

The following expenses have been accrued and will be funded from future revenues:

	2007	2006
Unfunded employee vacation accruals	$ 713,114	$ 667,455
Unfunded employee future benefits	888,000	810,000
Unfunded property taxes	33,544	49,972
	$ 1,634,658	$ 1,527,427

11. Long Term Liability - Mortgages Payable

	2007	2006
Canada Mortgage and Housing Corporation 5 1/8% mortgage, $41,608 combined principal and interest payable semi-annually July 1 and January 1 to 2012.	$ 394,487	$ 455,144
Canada Mortgage and Housing Corporation 8 1/4% mortgage, $66,686 combined principal and interest payable semi-annually April 1 and October 1 to 2021.	1,135,918	1,173,251
	1,530,405	1,628,395
Current portion of long term debt	103,985	97,990
	$ 1,426,420	$ 1,530,405
Interest paid	$ 118,598	$ 124,490

Principal payments in the next five years are as follows:

2008	$ 103,985
2009	$ 111,001
2010	$ 118,181
2011	$ 125,852
2012	$ 134,050

12. Brandon Centennial Auditorium Corporation Inc.

Under an arrangement between the University, the Province of Manitoba and the City of Brandon, the University built an Auditorium on its property for the benefit of the citizens of Western Manitoba. The expenditures for the building and furnishings were financed from contributions by the Governments of Canada and Manitoba, the City of Brandon and citizens through fundraising campaigns.

The Auditorium has been leased to the Brandon Centennial Auditorium Corporation Inc. for a nominal consideration of $1 under a 99 year lease which expires 2064 A.D. The University is reimbursed for services supplied to the auditorium as required by the agreement.

13. Knowles-Douglas Student Union Centre

The Knowles-Douglas Student Union Centre has been leased to the Knowles- Douglas Student Union Centre Inc. for the nominal consideration of $1 per year under a 50 year lease which expires 2035 A.D. The University supplies certain services to the Centre as required by the lease.

14. Commitments

An agreement between the University and the Brandon University Students' Union Inc. provides for the equal sharing of profits of the University's bookstore operations. The Students' Union share of profits amounted to $ 47,048 for the year ended March 31, 2007 (2006 - $ 73,850).

15. Employee Future Benefits

The University provides severance and retiring allowance benefits based on length of service and final earnings, payable on retirement. Accounting standards require the recognition of a liability and an expense for such employee future benefits in the period in which the employee renders service in return for the benefits. The recognition date for rendered service begins on the hiring date or the date when credited service begins, and runs until the date when full eligibility is attained. The cost of these future benefits earned by employees is determined by an actuary using the projected benefit method pro rated on service and management's best estimates for the discount rate for liabilities, the rate of salary escalation and the retirement ages of employees. The discount rate used to determine the accrued benefit obligation was determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and amount of expected benefit payments. There are no assets supporting the plan benefits.

The transitional obligation arising from the adoption of the accounting standard was fully recognized as at the adoption date of April 1, 2000. Subsequent actuarial gains or losses are fully recognized in the year immediately following the year in which they arise. The most recent actuarial valuation was as at March 31, 2005 with the next valuation due at at March 31, 2009.

The accrued benefit liability for employee future benefits is reported in the University's Statement of Financial Position under Accounts payable and accrued liabilities.

Information about the University's employee future benefits is as follows:

	2007	2006
Net benefit cost	$ 118,000	$ 180,000
Accrued benefit obligation	888,000	810,000
Accrued benefit liability	881,000	788,000
Unamortized actuarial loss	(7,000)	(22,000)
Employer's contributions	25,000	58,000
Benefits paid	25,000	58,000

The significant actuarial assumptions adopted in measuring the University's accrued benefit liability and benfit costs are as follows:

	2007	2006
Discount rate	4.9%	5.0%
Rate of compensation increase		
IUOE(A)	3.0%	3.0%
IUOE(D)	5.0%	5.0%
MGEU	5.0%	5.0%
Exempt MPO	7.5%	7.5%
Exempt ESS	5.0%	5.0%

16. Financial Instruments

The financial instruments of the University consist of cash and cash equivalents, accounts receivable, long-term investments, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency or credit risks arising from these financial instruments.

17. Restatement of Accounts

Comparative figures for the year ended March 31, 2006 have been restated where necessary to conform with the presentation adopted for the year ended March 31, 2007.

KPMG LLP
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AUDITORS' REPORT

To the Members of CancerCare Manitoba

We have audited the statement of financial position of CancerCare Manitoba as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 31, 2007

CANCERCARE MANITOBA

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

				2007	2006
	General Fund	Building Fund	Clinical and Basic Research Fund	Total	Total

Assets

Current assets:					
Cash	$ 11,687,843	$ –	$ 798	$ 11,688,641	$ 818,637
Short-term investments	2,502,498	–	–	2,502,498	2,223,573
Due from Manitoba Health (note 3)	6,090,741	–	–	6,090,741	1,317,047
Accounts receivable (note 4)	802,822	–	5,238,996	6,041,818	5,803,257
Inter-fund accounts	(805,813)	1,662,372	(856,559)	–	–
Prepaid expenses	455,971	–	–	455,971	310,763
Vacation entitlements receivable	1,817,453	–	–	1,817,453	1,702,096
	22,551,515	1,662,372	4,383,235	28,597,122	12,175,373
Retirement entitlement obligation receivable (note 5)	1,646,660	–	–	1,646,660	1,646,660
Investments (note 10)	2,702,592	–	2,427,747	5,130,339	7,311,566
Capital assets (note 6)	10,253,342	55,040,464	1,652,954	66,946,760	67,170,416
	$ 37,154,109	$ 56,702,836	$ 8,463,936	$102,320,881	$ 88,304,015

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:					
Accounts payable and accrued liabilities	$ 20,733,414	$ 89,972	$ 11,226	$ 20,834,612	$ 6,753,910
Due to Manitoba Health (note 3)	107,638	–	–	107,638	786,826
Deferred contributions [note 7(a)]					
Expenses of future periods	1,887,505	–	–	1,887,505	1,993,631
	22,728,557	89,972	11,226	22,829,755	9,534,367
Deferred contributions - capital assets [note 7(b)]	9,791,592	56,612,864	–	66,404,456	67,252,379
Retirement entitlement obligations (note 13)	2,360,856	–	–	2,360,856	2,092,176
	34,881,005	56,702,836	11,226	91,595,067	78,878,922
Fund balances:					
Invested in capital assets (note 8)	461,750	–	1,652,954	2,114,704	2,096,547
Externally restricted (note 9)	–	–	4,626,456	4,626,456	4,562,090
Internally restricted	–	–	2,173,300	2,173,300	1,632,328
Unrestricted	1,811,354	–	–	1,811,354	1,134,128
	2,273,104	–	8,452,710	10,725,814	9,425,093
Contingencies (note 11)					
	$ 37,154,109	$56,702,836	$ 8,463,936	$102,320,881	$ 88,304,015

See accompanying notes to financial statements.

Approved by the Members:

BJ MacDonell Member

Member

CANCERCARE MANITOBA

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

				2007	2006
	General Fund	Building Fund	Clinical and Basic Research Fund	Total	Total
Revenue:					
Manitoba Health (note 12)	$ 81,086,303	$ 14,636	$ –	$ 81,100,939	$ 55,267,411
Other recoveries	850,928	–	–	850,928	2,634,142
Grants	–	–	11,988,515	11,988,515	10,283,652
Amortization of deferred contributions	2,490,723	2,421,569	–	4,912,292	4,514,270
	84,427,954	2,436,205	11,988,515	98,852,674	72,699,475
Expenses:					
Compensation	30,606,291	–	5,611,402	36,217,693	33,586,120
Medical remuneration	13,044,485	–	–	13,044,485	8,249,328
Building occupancy	781,512	–	–	781,512	847,696
Amortization of capital assets	2,960,723	2,421,569	510,653	5,892,945	5,304,057
General administration	3,288,414	–	–	3,288,414	2,151,169
Equipment rentals and maintenance	1,231,802	–	–	1,231,802	1,358,515
Supplies and other departmental expenses	3,245,780	–	4,785,990	8,031,770	7,381,970
Drugs	27,373,421	–	–	27,373,421	13,403,108
Interest	–	14,636	–	14,636	19,029
Referred-out services	2,125,178	–	119,357	2,244,535	1,758,749
	84,657,606	2,436,205	11,027,402	98,121,213	74,059,741
Excess (deficiency) of revenue over expenses before the undernoted	(229,652)	–	961,113	731,461	(1,360,266)
Investment income	437,709	–	131,551	569,260	467,070
Excess (deficiency) of revenue over expenses	208,057	–	1,092,664	1,300,721	(893,196)
Fund balances, beginning of year	2,065,047	–	7,360,046	9,425,093	10,318,289
Fund balances, end of year	$ 2,273,104	$ –	$ 8,452,710	$ 10,725,814	$ 9,425,093

See accompanying notes to financial statements.

CANCERCARE MANITOBA

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

				2007	2006
	General Fund	Building Fund	Clinical and Basic Research Fund	Total	Total
Cash provided by (used in):					
Operating activities:					
Excess (deficiency) of revenue over expenses	$ 208,057	$ –	$ 1,092,664	$ 1,300,721	$ (893,196)
Amortization of capital assets	2,960,723	2,421,569	510,653	5,892,945	5,304,057
Amortization of deferred contributions related to capital assets	(2,490,723)	(2,421,569)	–	(4,912,292)	(4,514,270)
Loss on disposal of investments	–	–	2,505	2,505	–
Change in non-cash operating working capital	8,055,510	89,972	(16,788)	8,128,694	(23,450)
Increase in retirement entitlement obligations	268,680	–	–	268,680	320,506
	9,002,247	89,972	1,589,034	10,681,253	193,647
Investing activities:					
Inter-fund transfers	(28,897)	516,138	(487,241)	–	–
Additions to capital assets	(3,012,892)	(1,658,418)	(997,979)	(5,669,289)	(4,126,495)
Purchase of investments	–	–	(452,102)	(452,102)	(3,568,538)
Proceeds on disposal of investments	–	–	125,000	125,000	–
Change in investment classification	2,502,498	–	–	2,502,498	–
Amortization of premiums (discounts) on investments	(6,886)	–	10,212	3,326	13,342
	(546,177)	(1,142,280)	(1,802,110)	(3,490,567)	(7,681,691)
Financing activities:					
Deferred contributions related to capital assets	1,890,000	1,052,308	–	2,942,308	3,178,247
Deferred contributions related to expenses of future periods	1,015,935	–	–	1,015,935	280,079
	2,905,935	1,052,308	–	3,958,243	3,458,326
Increase (decrease) in cash and short-term investments	11,362,005	–	(213,076)	11,148,929	(4,029,718)
Cash and short-term investments, beginning of year	2,828,336	–	213,874	3,042,210	7,071,928
Cash and short-term investments, end of year	$ 14,190,341	$ –	$ 798	$ 14,191,139	$ 3,042,210
Cash and short-term investments are comprised of:					
Cash	$ 11,687,843	$ –	$ 798	$ 11,688,641	$ 818,637
Short-term investments	2,502,498	–	–	2,502,498	2,223,573
Cash and short-term investments, end of year	$ 14,190,341	$ –	$ 798	$ 14,191,139	$ 3,042,210

See accompanying notes to financial statements.

1. Purpose of the organization:

CancerCare Manitoba (the organization) is an agency established under the *CancerCare Manitoba Act*. The organization maintains and co-ordinates a province-wide program for cancer prevention, diagnosis, treatment, education and research.

The organization is a registered charity under the *Income Tax Act* and, accordingly, is exempt from income taxes provided certain requirements of the *Income Tax Act* are met.

2. Significant accounting policies:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

(a) Fund accounting:

The organization follows the deferral method of accounting for contributions.

The General Fund accounts for the organization's revenues and expenses related to program delivery and administrative activities.

The Building Fund reports the assets, liabilities, revenues and expenses related to the organization's building expansion and renovation program.

The Clinical and Basic Research Fund reports grants received for specific clinical and basic research projects undertaken by the organization. Externally restricted funds are held for research projects, education purposes and other specific purposes. Internally restricted funds represent funds that the organization has designated for specific purposes.

(b) Revenue recognition:

Restricted contributions are recognized as revenue in the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the appropriate fund when received if the amount to be received can be estimated and collection is reasonably assured.

Restricted and unrestricted investment income is recognized as revenue of the appropriate fund in the year in which the income was earned.

Grant revenue is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Significant accounting policies (continued):

(c) Investments:

Investments are recorded at cost. Investment premiums and discounts are amortized on a straight-line basis over the life of the investment. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

(d) Capital assets:

Purchased capital assets are recorded at cost. Incremental interest incurred during the construction of capital assets is included in cost. Contributed capital assets are recorded at fair value at the date of contribution.

Amortization is recorded on a straight-line basis over the assets' estimated useful lives, which for equipment is 3 to 20 years. Amortization of the building is recorded on a straight-line basis over 40 years.

(e) Contributed services:

A number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

(f) Future employee benefits:

Retirement entitlement obligations are accrued as earned based on an actuarial estimation and vacation entitlement benefits are accrued as employees earn the benefits. Due to the nature of the benefits, the retirement entitlement obligation receivable and payable are classified as long-term whereas the vacation entitlements receivable and payable are classified as current.

(g) Deferred contributions:

Debt owing to the Province of Manitoba and external lenders is reflected as deferred contributions in the statement of financial position. The related revenue earned from Manitoba Health to offset the interest expense and the related interest expense are both excluded from the statement of operations and changes in fund balances.

2. Significant accounting policies (continued):

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Manitoba Health funding:

(a) In-globe funding:

In-globe funding is funding approved by Manitoba Health for organization operations unless otherwise specified as out-of-globe funding. All costs must be absorbed from within the global funding provided.

The portion of an operating surplus that exceeds 2 percent of the in-globe funding is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the surplus may be retained by the organization, or repaid to Manitoba Health.

Under Manitoba Health policy, the organization is responsible for in-globe deficits, unless otherwise approved by Manitoba Health.

(b) Out-of-globe funding:

Out-of-globe funding is funding approved by Manitoba Health for specific programs such as medical remuneration, capital and interest costs.

Any operating surplus related to out-of-globe funding arrangements is recorded in the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the organization or repaid to Manitoba Health.

3. Manitoba Health funding (continued):

Conversely, any operating deficit related to out-of-globe funding arrangements is recorded in the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the organization. Any unapproved costs not paid by Manitoba Health are absorbed by the organization.

At March 31, 2007, the organization had a balance of $107,638 (2006 - $786,826) payable to Manitoba Health, representing repayment of 2007 out-of-globe Provincial Oncology Drug Program funding and capital interest, and a balance of $6,090,741 (2006 - $1,317,047) receivable from Manitoba Health as follows:

	2007	2006
Out-of-globe 2006/2007	$ 4,751,454	$ –
Out-of-globe 2005/2006	110,321	110,321
Out-of-globe 2003/2004	–	277,624
Approved capital funding	937,568	839,061
Other	291,398	90,041
	$ 6,090,741	$ 1,317,047

4. Accounts receivable:

			2007	2006
	General Fund	Clinical and Basic Research Fund	Total	Total
CancerCare Manitoba Foundation Inc.	$ –	$ 4,414,348	$ 4,414,348	$ 4,470,979
Grace General Hospital	–	21,566	21,566	150,977
Winnipeg Regional Health Authority	–	235,979	235,979	134,233
Government of Canada	–	77,987	77,987	10,076
University of Manitoba	–	122,526	122,526	80,505
University Medical Group	660,768	–	660,768	486,361
Other	142,054	366,590	508,644	470,126
	$ 802,822	$ 5,238,996	$ 6,041,818	$ 5,803,257

5. Retirement entitlement obligation receivable:

The retirement entitlement obligation receivable is due from Manitoba Health and is non-interest bearing.

The amount of funding which will be provided by Manitoba Health for these pre-retirement benefits has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the statement of financial position. Manitoba Health has guaranteed payment of this amount, but has not communicated the terms of repayment The amount of the receivable has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to CancerCare Manitoba. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

6. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
General Fund:				
Equipment	$ 22,933,853	$ 12,680,511	$ 10,253,342	$ 10,201,173
Building Fund:				
Building	57,793,460	8,919,676	48,873,784	50,268,548
Equipment	9,513,291	4,954,955	4,558,336	5,535,067
Construction in progress	1,608,344	–	1,608,344	–
	68,915,095	13,874,631	55,040,464	55,803,615
Clinical and Basic Research Fund:				
Equipment	2,912,133	1,259,179	1,652,954	1,165,628
	$ 94,761,081	$ 27,814,321	$ 66,946,760	$ 67,170,416

7. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent contributions for specific projects and other purposes.

	2007	2006
Balance, beginning of year	$ 1,993,631	$ 2,434,626
Add amount received related to future periods	1,015,935	280,079
Less amounts transferred to deferred contributions - capital assets	(1,122,061)	(721,074)
	$ 1,887,505	$ 1,993,631

(b) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of contributions and grants received for the purchase of capital assets. The amortization of deferred contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 67,252,379	$ 67,867,328
Additional contributions received	2,942,308	3,178,247
Add amounts transferred from deferred contributions - expenses of future periods	1,122,061	721,074
Less amounts amortized to revenue	(4,912,292)	(4,514,270)
	$ 66,404,456	$ 67,252,379

The balance of unamortized capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized capital asset contributions used to purchase capital assets	$ 66,199,217	$ 67,127,554
Unspent contributions	205,239	124,825
	$ 66,404,456	$ 67,252,379

7. Deferred contributions (continued):

Unamortized capital contributions of $66,404,456 (2006 - $67,252,379) include contributions received from Manitoba Health for the purchase of capital assets in the form of demand loans payable to the Bank of Montreal. The balances of the demand loans are as follows:

	2007	2006
Bearing interest at prime, repayment terms to be established once construction in progress is complete	$ 961,373	$ –
Bearing interest at prime, repayable in monthly instalments of $13,700, plus interest	–	2,348,831
Bearing interest at prime, repayable in monthly instalments of $4,775 plus interest	–	253,725
Bearing interest at prime, repayable in monthly instalments of $19,325 plus interest	–	1,628,797
Bearing interest at prime, repayable in monthly instalments of $875 plus interest	–	144,586
Bearing interest at prime, repayable in monthly instalments of $14,320 plus interest	–	1,415,618
Bearing interest at prime, repayable in monthly instalments of $800 plus interest	–	143,659
	$ 961,373	$ 5,935,216

Unamortized capital contributions of $66,404,456 (2006 - $67,252,379) also include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The organization has executed promissory notes for these contributions. The promissory notes are payable to the Department of Finance of the Province of Manitoba, and the payment of these liabilities is guaranteed and funded by Manitoba Health. No further funding is expected to be received with respect to these obligations and no revenue or expense is recorded in connection with their extinguishment, except for the amortization of the deferred contributions. The balances of the promissory notes are as follows:

	2007	2006
6.25% maturing March 31, 2020, repayable in monthly instalments of $76,754, plus interest	$ 12,050,438	$ 12,971,491
Variable rate (30-day bankers' acceptance plus 25 basis points), maturing February 28, 2022, repayable in monthly instalments of $50,439, plus interest	9,078,947	9,684,210
4.80% maturing November 30, 2016, repayable in monthly instalments of $50,000, plus interest	5,800,000	–
	$ 26,929,385	$ 22,655,701

7. Deferred contributions (continued):

During 2005, the organization established arrangements for a bridge facility of non-revolving demand loans to a maximum of $5,000,000 to assist with the construction or expansion costs of approved projects or the acquisition of equipment and specialized equipment as approved by Manitoba Health. Interest is charged at the prime rate, repayment terms are established for each individual demand loan and the facility is secured by letters of authorization and comfort from Manitoba Health. The organization has utilized $961,373 of this facility as of March 31, 2007 (2006 - $1,559,277).

On November 30, 2006, the Province of Manitoba approved the consolidation of $6,000,000 of the organization's borrowings with the Department of Finance. The advance has been recorded as a deferred contribution as described above.

8. Invested in capital assets:

(a) Invested in capital assets is calculated as follows:

	2007	2006
Capital assets	$ 66,946,760	$ 67,170,416
Amounts financed by:		
Unamortized deferred contributions	(66,404,456)	(67,252,379)
Inter-fund and working capital	1,572,400	2,178,510
	$ 2,114,704	$ 2,096,547

(b) Change in fund balance invested in capital assets is calculated as follows:

	2007	2006
Surplus (deficit) for the year:		
Amortization of deferred contributions related to capital assets	$ 4,912,292	$ 4,514,270
Amortization of capital assets	(5,892,945)	(5,304,057)
	$ (980,653)	$ (789,787)

8. Invested in capital assets (continued):

Invested in capital assets:		
Purchase of capital assets	$ 5,669,289	$ 4,126,495
Amounts funded by:		
Deferred contributions	(2,942,308)	(3,178,247)
Inter-fund and working capital	(606,110)	292,152
Amount transferred from deferred contributions - expenses of future periods	(1,122,061)	(721,074)
	$ 998,810	$ 519,326

9. Externally restricted fund balances:

The major category of externally imposed restrictions on fund balances is as follows:

	2007	2006
Restricted for research projects, education purposes and other specific purposes	$ 4,626,456	$ 4,562,090

10. Fair value of financial instruments:

The carrying value of cash and short-term investments, accounts receivable and accounts payable and accrued liabilities approximates their fair value because of the relatively short period to maturity of the instruments.

The fair values of long-term investments are measured at their current market rates. The fair market value of investments at March 31, 2007 and 2006 is $5,136,590 and $7,282,559, respectively.

Management has reviewed currently available information regarding those investments whose market value is less than carrying value, and has determined that the carrying values are expected to be recovered. The carrying value of those investments is $3,079,643 and the market value is $3,059,301.

11. Contingencies - HIROC:

On July 1, 1997, a group of health care organizations (subscribers) formed Healthcare Insurance Reciprocal of Canada (HIROC). HIROC is registered as a reciprocal under provincial insurance acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

12. Economic dependence:

The organization received approximately 86 percent (2006 - 81 percent) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

13. Employee future benefits:

(a) Retirement entitlement obligations:

The organization has a contractual commitment to pay out to employees four days per year of service upon retirement if the employee complies with one of the following conditions:

(i) have ten years service and have reached age 55; or

(ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee; or

(iii) retire at or after age 65; or

(iv) terminate employment at any time due to permanent disability.

The organization undertook an actuarial valuation of the accrued retirement entitlements as at March 31, 2007. The significant actuarial assumptions adopted in measuring the organization's accrued retirement entitlements include mortality, disability and withdrawal rates, a discount rate of 4.85 percent (2006 - 5.00 percent) and a rate of salary increase of 3.0 percent plus age-related merit/promotion scale (2006 - rate of salary increase of 3.0 percent plus age related merit/promotion scale). The actuarial valuation established the retirement entitlement obligations in the amount of $2,360,856 (2006 - $2,092,176).

13. Employee future benefits (continued):

(b) Pension plans:

Most of the employees of the organization are members of the Healthcare Employees Pension Plan – Manitoba (the Plan), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook, Section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5 percent of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members or through a reduction of benefits. The most recent actuarial valuation of the Plan as at December 31, 2005, reported that the Plan had a going-concern deficiency and a solvency deficiency.

Actual contributions to the Plan made during the year by the organization on behalf of its employees amounted to $1,766,663 (2006 - $1,555,580) and are included in the statement of operations and changes in fund balances. Contribution rates increased on July 1, 2006 to 6.6% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2% on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8% and 8.4%, respectively.

Some of the employees of the organization are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for organization employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the Civil Service Superannuation Plan by the organization and its employees. No contributions were made during 2007 or 2006 by the organization to the Civil Service Superannuation Plan on behalf of its employees.

14. CancerCare Manitoba Foundation Inc.:

The organization has an economic interest in CancerCare Manitoba Foundation Inc. (CCMF Inc.). At March 31, 2007, net resources of CCMF Inc. amounted to $29,573,917, of which $10,060,304 are restricted contributions. CCMF Inc.'s purpose is to support the organization in its provision of a program of diagnosis of, treatment of, and research in respect of cancer. CCMF Inc. will solicit, receive, maintain and accumulate funds for distribution on a periodic basis to the organization, to support principally research activities that are supplementary to those funded by Manitoba Health. During the year, CCMF Inc. contributed funds in the amount of $5,761,391 (2006 - $5,291,142) to the organization.

15. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Le Centre culturel franco-manitobain

We have audited the statement of financial position of Le Centre culturel franco-manitobain as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Winnipeg, Manitoba
May 25, 2007

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Cash and bank	$ -	$ 2,654
Grants receivable	92,763	129,338
Accounts receivable	42,407	36,664
Inventory	3,999	3,753
Prepaid expenses	22,686	13,196
	161,855	185,605
Non-Current Assets		
Accounts receivable - Province of Manitoba (Note 9)	25,891	25,891
Accounts receivable	3,613	6,313
Capital assets (Note 3)	43,298	54,868
Deferred charges	6,280	8,118
	79,082	95,190
	$ 240,937	$ 280,795
Liabilities and Fund Balances		
Current Liabilities		
Bank indebtedness	$ 85,574	$ -
Working capital advance - Province of Manitoba (Note 4)	-	100,000
Accounts payable and accrued liabilities	51,719	98,921
Deferred contributions (Note 5)	6,059	8,228
Rental and damage deposits	20,500	26,975
	163,852	234,124
Deferred contributions related to capital assets (Note 6)	37,463	47,575
	201,315	281,699
Fund Balances		
Unrestricted Funds		
Operations	50,709	(31,631)
Cultural Programs	(16,922)	23,434
Invested in capital assets	5,835	7,293
	39,622	(904)
	$ 240,937	$ 280,795

Approved on behalf of the Board:

________________________ Director

________________________ Director

The notes are an integral part of these financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Operations and Changes in Fund Balances

For the year ended March 31					2007	2006
	Operations	Cultural Programs	Capital	Fund Raising	Total	Total
Revenue						
Administration fees	$ 241	$ -	$ -	$ -	$ 241	$ 581
Admission fees	-	20,712	-	-	20,712	34,980
Bar	38,619	-	-	-	38,619	54,372
Bingos	-	-	-	-	-	3,000
Commissions	1,600	7,122	-	-	8,722	7,759
Corporate sponsorship and donations	211	6,446	-	-	6,657	15,744
Grants						
Government of Canada	-	172,734	-	-	172,734	179,422
Government of Manitoba	412,038	20,000	72,216	-	504,254	569,756
Miscellaneous	2,000	39,724	-	-	41,724	28,300
Interest	5,182	-	-	-	5,182	2,651
Miscellaneous (Note 12)	79,377	9,468	-	-	88,845	75,359
Rent (Note 10)	254,538	-	-	-	254,538	208,390
Sale of office supplies and other	9,632	-	-	-	9,632	4.826
Technical services	54,842	-	-	-	54,842	59,615
	858,280	276,206	72,216	-	1,206,702	1,244,755
Expenses						
Amortization of capital assets	-	-	11,570	-	11,570	14,784
Catering and bar	47,154	-	-	-	47,154	51,520
Fundraising - Bingos	-	-	-	10	10	-
Operations (Note 7)	728,776	316,562	-	-	1,045,338	1,008,235
Repairs (Note 8)	-	-	62,104	-	62,104	139,696
	775,930	316,562	73,674	10	1,166,176	1,214,235
Excess (deficiency) of revenue over expenses for the year	82,350	(40,356)	(1,458)	(10)	40,526	30,520
Fund balances, beginning of year	(31,631)	23,434	7,293	-	(904)	(31,424)
Interfund transfers	(10)	-	-	10	-	-
Fund balances, end of year	$ 50,709	$ (16,922)	$ 5,835	$ -	$ 39,622	$ (904)

The notes are an integral part of these financial statements.

LE CENTRE CULTUREL FRANCO-MANITOBAIN
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows Provided by (Used for) Operating Activities		
Excess of revenue over expenses for the year	$ 40,526	$ 30,520
Amortization of capital assets	11,570	14,784
Amortization of deferred contributions related to capital assets	(10,112)	(12,960)
Net change in non-cash working capital items		
Grants receivable	36,575	75,040
Accounts receivable	(3,043)	(12,199)
Inventory	(246)	2,811
Prepaid expenses	(9,490)	14,187
Accounts payable and accrued liabilities	(47,202)	(170,692)
Deferred charges	1,838	(449)
Deferred contributions	(2,169)	(437)
Rental and damage deposits	(6,475)	3,112
Net cash (outflows) inflows for operating activities	11,772	(56,283)
Cash Flows Provided by (Used for) Financing and Investing Activities		
Working capital advance received from the Province of Manitoba	-	100,000
Repayment of working capital advance to the Province of Manitoba	(100,000)	(100,000)
Net cash outflows for financing and investing activities	(100,000)	-
Decrease in cash and bank for the year	(88,228)	(56,283)
Cash and bank (bank indebtedness), beginning of year	2,654	58,937
Cash and bank (bank indebtedness), end of year	$ (85,574)	$ 2,654

The notes are an integral part of these financial statements.

1. General Information

Le Centre culturel franco-manitobain was incorporated under Chapter C45 of the Statutes of the Province of Manitoba. The corporation's objects are to maintain, encourage, foster and sponsor, by all means available, all types of cultural activities in the French language and to make French-Canadian culture known to all residents of the province.

2. Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

(b) Capital Assets

Acquired capital assets are stated at their acquisition cost less accumulated amortization and are amortized using the diminishing balance method at the following annual rates:

Technical equipment	20%
Computer equipment	30%
Kitchen equipment	20%
Cash registers	20%
Furniture and fixtures	20%
Security system	20%
Maintenance equipment	20%

(c) Use of Building

The use of the building is accounted for as described in Note 10.

(d) Recognition of Revenue

The corporation follows the deferred method of accounting for contributions.

Grants received for specific projects are recognized as revenue in the year in which the related expenses are incurred. The remaining balance of grants received is accounted for as deferred contributions in the statement of financial position.

Catering and bar services, hall, office and other rentals, technical services and miscellaneous revenue are recognized as revenue when the services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Admission fees are recognized as revenue when the event has occurred if the amount to be received can be reasonably estimated and collection is reasonably assured.

2. Accounting Policies (continued)

(e) Fund Balances

The financial resources of the corporation are allocated to four funds corresponding to the corporation's activities and objectives as follows:

Unrestricted Funds

Operations - Includes transactions related to the maintenance of facilities and the general operations of the corporation.

Cultural Programs - Includes transactions related to the delivery of cultural programs as outlined in the objectives of the corporation. Annually, the corporation determines the value of the space used for cultural programs based on the rate normally charged to other tenants and charges this amount to the Cultural Programs Fund (see Note 7 - $18,099 in 2006).

Restricted Funds

Capital - Involves external restrictions and is used for recording major repairs related to the building's operations as well as the amortization of capital assets. At year end, an interfund transfer is recorded from the Operations Fund to the Capital Fund representing the corporation's net investment in capital assets.

Fundraising - Includes transactions related to fundraising activities. The fund balance must be used to subsidize cultural activities and is included in the interfund transfers.

(f) Inventory

Inventory is valued at the lower of cost, using the first-in-first-out method, and net realizable value.

(g) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting policies requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates, as additional information becomes available in the future.

3. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Technical equipment	$ 136,932	$ 118,702	$ 136,932	$ 114,145
Computer equipment	124,008	119,826	124,008	118,034
Kitchen equipment	14,107	8,960	14,107	7,673
Cash registers	5,200	4,887	5,200	4,809
Furniture and fixtures	11,673	8,327	11,673	7,491
Security system	17,580	14,631	17,580	13,894
Maintenance equipment	26,411	17,280	26,411	14,997
	$ 335,911	$ 292,613	$ 335,911	$ 281,043
Net book value		$ 43,298		$ 54,868

4. Working Capital Advance - Province of Manitoba

The working capital advance granted by the Province of Manitoba at March 31, 2007 is nil ($100,000 in 2006).

5. Deferred Contributions

Deferred contributions represent unspent resources received during the year related to matching expenses of subsequent periods.

	2007	2006
Balance, beginning of year	$ 8,228	$ 8,665
Grants and other amounts received during the year	56,960	147,924
Less amounts recognized as revenue during the year		
Operations Fund	2,975	(8,665)
Capital Fund (Note 8)	(62,104)	(139,696)
Balance, end of year	$ 6,059	$ 8,228

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets amount to $37,463 at March 31, 2007 ($47,575 in 2006) and represent the unamortized portion of grants received with which capital assets have been purchased.

Changes in deferred contributions related to capital assets are as follows:

	2007	2006
Balance, beginning of year	$ 47,575	$ 60,535
Grants received during the year	-	-
Amount amortized to revenue	(10,112)	(12,960)
Balance, end of year	$ 37,463	$ 47,575

7. Operations Funds and Cultural Programs Fund Expenses

	2007			2006
	Operations	Cultural Programs	Total	Total
Advertising and promotion	$ 5,343	$ 13,118	$ 18,461	$ 22,530
Bad debts	35	-	35	96
Bank charges and interest	6,981	-	6,981	9,077
Employment contracts	62,630	83,450	146,080	136,603
Equipment purchase	15,176	-	15,176	4,021
Equipment rental and maintenance	54,261	2,691	56,952	45,063
Insurance and permits	18,847	2,698	21,545	18,739
Internal rental	(13,858)	13,858	-	-
Meetings and travel	9,205	19,663	28,868	16,065
Miscellaneous	955	2,234	3,189	13,303
Office	29,074	4,282	33,356	19,364
Pension	4,779	1,324	6,103	9,168
Professional fees	24,713	-	24,713	23,980
Salaries and benefits (Note 12)	368,766	172,613	541,379	555,129
Supplies	23,315	550	23,865	28,513
Training	1,659	81	1,740	464
Utilities and outside maintenance (Note 12)	116,895	-	116,895	106,120
	$ 728,776	$ 316,562	$ 1,045,338	$ 1,008,235

8. Capital Fund Expenses

	2007	2006
Asbestos removal and renovation of front entrance	$ -	$ 117,690
Material	19,670	8,175
Office equipment	-	3,472
Repairs and maintenance	42,434	10,359
	$ 62,104	$ 139,696

9. Vacation Pay Receivable

Effective March 31, 1995, the corporation commenced recording the estimated liability for vacation pay for its employees. The amount of this estimated liability is determined on March 31 of each year based on eligible vacation entitlements.

The Province of Manitoba has accepted responsibility for the vacation pay benefits accumulated to March 31, 1995 by the corporation's employees. Accordingly, the corporation recorded, effective March 31, 1995, a receivable of $25,891 from the Province of Manitoba, which is an amount that is equal to the estimated liability for vacation pay benefits at March 31, 1995.

This receivable from the Province of Manitoba has no terms of repayment and, accordingly, the amount of this receivable will remain fixed at $25,891.

10. Use of Building

The building used by the corporation is owned by the Province of Manitoba and is made available to the corporation rent-free. The corporation is responsible for all operating and maintenance costs including third party liability insurance.

The corporation charges rent to all tenants, groups and organization that make use of the building. This rental revenue is retained by the corporation and recorded as revenue in the Operations Fund, thereby reducing the corporation's reliance on funding from the Province.

11. Financial Instruments

The financial instruments consist of grants receivable, accounts receivable, accounts payable and accrued liabilities. It is the management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

12. Centre du Patrimoine

The capital costs of this archival centre were funded equally by the Governments of Canada and Manitoba. Ownership of the corporation is that of the Province of Manitoba. The corporation is operated by La Société historique de Saint-Boniface (SHSB).

Le Centre culturel franco-manitobain (CCFM) pays utility and maintenance costs related to the archival centre. Those utility and maintenance costs are recorded in utilities and salaries and benefits expenses (Note 7). CCFM recovers the utility and maintenance costs from the SHSB. Those recoveries are recorded in miscellaneous revenue and amount to $51,334 in 2007 ($53,822 in 2006).

BDO

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Auditors' Report

To the Directors of
Child and Family Services of Central Manitoba Inc.

We have audited the statement of financial position of **Child and Family Services of Central Manitoba Inc.** as at March 31, 2007, and the statement of operations and changes in fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2007 and the results of its operations and the changes in cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP.

Chartered Accountants

Portage la Prairie, Manitoba
May 11, 2007

Child and Family Services of Central Manitoba Inc.
Statement of Financial Position

For the year ended March 31,	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	2007	2006
Assets							
Current Assets							
Cash	$ 126,706	$ -	$ -	$ -	$ -	$ 126,706	$ -
Investments	94,300	-	-	-	-	94,300	94,600
Accounts receivable	24,225	917	-	-	-	25,142	10,544
Receivable from Child and Family Service of Central Manitoba Foundation Inc.	-	-	-	-	-	-	4,500
Receivable from General Child and Family Services Authority	194,205	-	-	-	-	194,205	137,712
Receivable from Department of Family Services and Housing	-	258,768	-	-	-	258,768	162,526
Prepaid expenses	20,975	-	-	-	-	20,975	24,551
	460,411	259,685	-	-	-	720,096	434,433
Capital Assets (note 1)	-	-	-	-	577,806	577,806	579,744
Deferred Severance/Retirement Entitlement (note 2)	119,458	-	-	-	-	119,458	13,895
	$ 579,869	$ 259,685	$ -	$ -	$ 577,806	$ 1,417,360	$1,028,072
Liabilities and Fund Balances							
Current Liabilities							
Bank indebtedness (note 3)	$ 189,298	$ -	$ -	$ -	$ -	$ 189,298	$ 20,628
Accounts payable and accrued liabilities	166,007	22,265	-	-	-	188,272	126,388
Accrued vacation pay entitlement	159,405	-	-	-	-	159,405	137,712
Working capital advance	-	103,400	-	-	-	103,400	103,400
Interfund balances	723,067	(594,135)	-	(128,932)	-	-	-
	1,237,777	(468,470)	-	(128,932)	-	640,375	388,128
Accrued Severance/Retirement Entititlement Payable (note 2)	313,123	-	-	-	-	313,123	163,262
Deferred Contributions (note 4)	-	-	-	-	359,285	359,285	374,488
	1,550,900	(468,470)	-	(128,932)	359,285	1,312,783	925,878
Fund Balances							
Invested in net capital assets	-	-	-	-	218,521	218,521	205,397
Externally restricted	-	728,155	-	128,932	-	857,087	797,384
Unrestricted	(971,031)	-	-	-	-	(971,031)	(900,587)
	(971,031)	728,155	-	128,932	218,521	104,577	102,194
Commitments (note 5)							
	$ 579,869	$ 259,685	$ -	$ -	$ 577,806	$ 1,417,360	$1,028,072

On behalf of the Board:

________________________ Director

________________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Statement of Operations and Changes in Fund Balances

For the year ended March 31,	Central Program Support Fund	Ward Care Fund	Family Support Innovations Fund	Family Support Fund	Capital Fund	2007	2006
Revenue							
Province of Manitoba	$ -	$ 1,227,337	$ -	$ -	$ -	$ 1,227,337	$1,097,844
General Child and Family Services Authority	2,187,500	-	-	75,100	-	2,262,600	2,183,300
Amortization of deferred contributions (note 4)	-	-	62,041	-	15,062	77,103	99,938
Other	58,244	2,429	-	-	-	60,673	24,184
	2,245,744	1,229,766	62,041	75,100	15,062	3,627,713	3,405,266
Expenses							
Salaries and benefits	1,890,790	-	75,569	22,317	-	1,988,676	1,923,056
Dakota Ojibway Child and Family Services and Metis Child and Family Services	114,193	-	-	4,300	-	118,493	137,735
Travel and other field service costs	77,518	64,862	3,966	-	-	146,346	148,161
Office maintenance	63,497	-	-	-	-	63,497	61,874
Office operations	113,079	-	-	-	-	113,079	102,073
Service support	106,241	-	-	-	-	106,241	55,155
Other support	66,249	-	-	-	-	66,249	30,356
Ward care expenses	-	1,125,594	-	32,390	-	1,157,984	1,130,492
Amortization of capital assets	-	-	-	-	23,024	23,024	24,389
Recovery of expenditures from Dakota Ojibway Child and Family Services and Metis Child and Family Services	(119,159)	-	-	(4,300)	-	(123,459)	(136,600)
	2,312,408	1,190,456	79,535	54,707	23,024	3,660,130	3,476,691
(Deficiency) excess of revenue over expenses before deficit funding	(66,664)	39,310	(17,494)	20,393	(7,962)	(32,417)	(71,425)
Deficit funding	34,800	-	-	-	-	34,800	83,255
Excess (deficiency) of revenue over expenses	(31,864)	39,310	(17,494)	20,393	(7,962)	2,383	11,830
Fund balance, beginning of year	(900,587)	688,845	-	108,539	205,397	102,194	90,364
Interfund transfers (note 7)	(38,580)	-	17,494	-	21,086	-	-
Fund balance, end of year	$ (971,031)	$ 728,155	$ -	$ 128,932	$ 218,521	$ 104,577	$ 102,194

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Statement of Cash Flows

For the year ended March 31,	2007	2006
Cash provided by (used in) Operating Activities		
Excess of revenue over expenses	$ 2,383	$ 11,830
Adjustments for		
Amortization of capital assets	23,024	24,389
Amortization of deferred contributions	(77,103)	(99,938)
Amortization of deferred severance/retirement entitlement	15,428	1,985
	(36,268)	(61,734)
Changes in non-cash operating working capital		
Accounts receivable	(14,598)	10,993
Receivable from Child and Family Services of Central Manitoba Foundation Inc.	4,500	6,847
Receivable from General Child and Family Services Authority	(56,493)	165,073
Receivable from Department of Family Services and Housing	(96,242)	39,614
Prepaid expenses	3,576	11,364
Accounts payable and accrued liabilities	61,884	90,917
Accrued vacation pay entitlement	21,693	(12,187)
	(111,948)	250,887
Cash provided by (used in) Investing and Financing Activities		
Additions to capital assets	(21,086)	(5,775)
Disposal (addition) of investments	300	(20,122)
Restricted contributions received	61,900	74,600
Capital contributions received	-	2,246
Accrued severance/retirement benefit	28,870	1,710
Change in bank indebtedness	168,670	(319,130)
	238,654	(266,471)
Increase (decrease) in cash during the year	126,706	(15,584)
Cash, beginning of year	-	15,584
Cash, end of year	$ 126,706	$ -
Additional information		
Interest received	$ 12,675	$ 10,910

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2007

Nature of Business

The Agency is incorporated under the laws of Manitoba and its' primary business purpose is providing child and family services to those in need in the Central Region of Manitoba. The Agency is a registered charitable Agency under the Income Tax Act.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed preriodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Fund Accounting

The Agency follows the deferral method of accounting for contributions.

Revenues and expenses related to program delivery and administrative activities are reported in the Central Program Support Fund.

Revenues and expenses directly related to children in care and children not in care are reported in the Ward Care Fund. Any revenues in excess of expenses in the Ward Care Fund are restricted for ward care purposes unless prior approval is received from the Province of Manitoba.

Revenues and expenses directly related to children not in care are reported in the Family Support Fund.

Revenues and expenses related directly to the In Home Support Program are reported in the Family Support Innovations Fund.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the Agency's capital assets.

Revenue Recognition

Restricted contributions are deferred and recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the Central Program Support Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Child and Family Services of Central Manitoba Inc.
Summary of Significant Accounting Policies

For the year ended March 31, 2007

Financial Instruments

The Agency's financial instruments consist of investments, accounts receivable, bank indebtedness, accounts payable and accrued liabilities and working capital advance. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair value of these financial instruments approximate their carrying value unless otherwise noted.

Investments

Investments are recorded at cost (which approximates market value) and are comprised of a guaranteed investment certificate $47,000 with an effective interest rate of 3.95% (2006 - 3.45%), with a maturity date of June 2007, and bonds $47,300 with an effective interest rate of 4.00% (2006 - 3.85%), with a maturity date of June 2011. Interest is received annually and upon maturity.

Capital Assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows.

Buildings	2%
Leasehold improvements	10%
Furniture and equipment	20%
Automotive equipment	30%

Amortization expense is reported in the Capital Fund.

Contributed Services

Volunteers contribute numerous hours annually to assist the Agency in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Vacation Entitlement

Vacation entitlement is recorded in the period that the service to which it relates is provided. Accrued vacation entitlement is recorded to the extent that a vacation entitlement liability exists at the period end.

Funding for the vacation entitlement is accrued in the period that the vacation entitlement is accrued. To the extent that this vacation entitlement funding has not been received by the period end, it is recorded as a receivable from the Department of Family Services.

Defined Contribution Pension Plan

The Agency's pension plan is administered by the United Way.

During the year, the Agency made contributions of $74,448 (2006 - $63,992) with respect to this plan.

Severance/Retirement Entitlement

Severance/retirement entitlement is recorded in the period the service to which it relates is provided. Accrued severance/ retirement is recorded to the extent that a severance/retirement liability exists at the period end. The liability is discounted from the date at which the employee would become entitled to an amount to the period end using a discount rate of 6.25%.

The net present value of the liability as at April 1, 2000, being the date at which the Agency became liable for the severance/retirement entitlement has been recorded as a deferred severance/retirement entitlement and is being amortized to expense on the straight-line basis over 10 years, being the average number of years until the original employee group became entitled to an amount.

Plan amendments are recorded as a deferred severance/retirement entitlement when a new Union contract is signed that improves the benefit. Any amendment is amortized over the average number of years until the employee group would become entitled to a benefit and included in severance/retirement expense in the Central Program Support Fund. During the year, a new Union contract was signed that resulted in an increase in benefits of $120,991. This amount is being amortized over 9 years.

$23,518 (2006 - $25,085) was paid out to retiring employees during the year. The net change in the severance/retirement entitlement is included in salary and staff benefit expense in the Central Program Support Fund.

1. Capital Assets

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Land	$ 8,172	$ -	$ 8,172	$ 8,172
Buildings	906,273	351,307	554,966	553,230
Furniture and equipment	48,637	43,078	5,559	7,208
Leasehold improvements	20,243	11,134	9,109	11,134
Automotive equipment	4,470	4,470	-	-
	$ 987,795	$ 409,989	$ 577,806	$ 579,744

2. Severance/Retirement Entitlement

Changes in the deferred severance/retirement entitlement and accrued severance/retirement entitlement payable are as follows.

	2007		2006	
	Deferred Severance/ Retirement Entitlement	Accrued Severance/ Retirement Entitlement Payable	Deferred Severance/ Retirement Entitlement	Accrued Severance/ Retirement Entitlement Payable
Balance, March 31, 2006	$ 13,895	$ (163,262)	$ 15,880	$ (161,552)
Plan amendment due to new Union contract	120,991	(120,991)	-	-
Paid during the year	-	20,538	-	25,085
Current cost	-	(49,408)	-	(26,795)
Amortization	(15,428)	-	(1,985)	-
Balance, March 31, 2007	$ 119,458	$ (313,123)	$ 13,895	$ (163,262)

3. Bank Indebtedness

The Agency has an operating line of credit authorized to a maximum of $425,000, which is due on demand and bears interest at the bank's prime rate minus 0.50% calculated and payable monthly. It is secured by a line of credit agreement.

4. Deferred Contributions

(a) Deferred contributions reported in the Family Support Innovation Fund relate to restricted contributions, which have not yet been disbursed for their intended purpose.

Changes in the deferred contributions balance reported in the Family Support Innovation Fund are as follows.

	2007	2006
Balance, beginning of year	**$ 141**	$ 10,067
Add restricted contributions received in the year	**61,900**	74,600
Less amount recognized as revenue in the year	**62,041**	84,526
Balance, end of year	**$ -**	$ 141

(b) Deferred contributions reported in the Capital Fund include the unamortized portions of contributed capital assets and restricted contributions relating to the Agency's furniture and equipment and building.

Changes in the deferred contributions balance reported in the Capital Fund are as follows.

	2007	2006
Balance, beginning of year	**$ 374,347**	$ 387,513
Add contributions received in the year	**-**	2,246
Less amount recognized as revenue in the year	**15,062**	15,412
Balance, end of year	**$ 359,285**	$ 374,347
Total Deferred Contributions	**$ 359,285**	$ 374,488

5. Commitments

The Agency leases office premises and certain equipment under operating leases, which expire between 2008 and 2009. The following is a schedule of future minimum lease payments due in each of the next two years under these leases.

2008	$ 45,282
2009	4,596
	$ 49,878

6. Related Party

Child and Family Services of Central Manitoba Inc. and Child and Family Services of Central Manitoba Foundation Inc. are related by virtue of certain common members of their Boards of Directors.

During the year, the following transactions took place with Child and Family Services of Central Manitoba Foundation Inc.

The Agency received program funding of $35,169 (2006 - $ nil).

The above transaction is in the normal course of operations and is measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

7. Interfund Transfers

During the year, $21,086 was transferred to the Capital Fund from the Central Program Support Fund to fund capital asset purchases and $17,494 was transferred from the Central Program Support Fund to the Family Support Innovations Fund to fund expenditures.

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Auditors' Comments on Supplementary Financial Information

To the Directors of
Child and Family Services of Central Manitoba Inc.

The audited financial statements of the Agency as at March 31, 2007 and our report thereon dated May 11, 2007 are presented in the preceding section of this annual report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, the financial information is fairly presented in all material respects in relation to the financial statements taken as a whole.

Our report does not extend to the budget figures which have been presented for information purposes only.

BDO Dunwoody LLP.
Chartered Accountants

Portage la Prairie, Manitoba
May 11, 2007

Child and Family Services of Central Manitoba Inc.
Schedule 1 - Revenue and Expenses
Central Program Support Fund

For the year ended March 31,	2007 Budget	2007 Actual	2006 Actual
Revenue			
General Child and Family Services Authority	$ 2,108,500	$ 2,187,500	$ 2,105,700
Interest	5,000	15,553	8,759
Contributions from Child and Family Services of Central Manitoba Foundation Inc.	5,000	35,169	4,500
Funding from other sources	5,000	7,522	9,247
	2,123,500	2,245,744	2,128,206
Expenses			
Salaries and staff benefits			
Salaries	1,606,058	1,596,451	1,546,871
Canada Pension Plan	56,338	56,509	55,424
Company pension plan	68,899	74,448	63,992
Dental and health plans	78,020	70,168	72,668
Payroll tax	30,328	31,743	27,284
Group insurance	8,708	5,371	8,090
Employment insurance	33,058	30,794	31,455
Vacation entitlement	-	21,694	(12,188)
Workers compensation	8,507	6,908	7,899
Severance/retirement entitlement	-	64,836	28,780
Dakota Ojibway Child and Family Services and Metis Child and Family Services expenses	137,675	114,193	132,916
	2,027,591	2,073,115	1,963,191
Vacation entitlement funding	-	(21,694)	12,188
Salary secondment funding	(5,880)	(46,438)	(16,069)
	2,021,711	2,004,983	1,959,310
Field service costs			
Car operations	28,200	22,383	27,650
Traveling	9,800	7,775	9,653
Vehicle leasing	23,200	23,118	25,618
Fleet costs	33,000	24,242	33,258
	94,200	77,518	96,179
Office maintenance			
Repairs and upkeep	23,663	13,374	12,106
Utilities	10,570	12,612	10,362
Janitor supplies and services	18,000	17,083	18,211
Taxes	21,400	20,428	21,195
	73,633	63,497	61,874
Expenses carried forward	$ 2,189,544	$ 2,145,998	$ 2,117,363

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Schedule 1 - Revenue and Expenses
Central Program Support Fund

For the year ended March 31,	2007 Budget	2007 Actual	2006 Actual
Expenses brought forward	$ 2,189,544	$ 2,145,998	$ 2,117,363
Office operations			
Audit and accounting	12,000	21,144	15,159
Data processing	2,000	1,481	2,045
Equipment leasing	6,200	4,311	8,117
Field offices	33,580	32,172	27,582
Interest and bank charges	2,400	2,657	2,166
Miscellaneous	8,100	9,392	4,869
Postage	5,600	4,556	5,455
Repairs and maintenance	500	-	675
Supplies	8,000	8,408	8,323
Telephone and fax	30,000	28,958	27,682
	108,380	113,079	102,073
Service support			
Advertising and public relations	5,300	18,705	2,765
Legal	45,000	69,936	38,286
Professional consultation	6,000	11,939	7,166
Training	6,000	5,661	6,938
	62,300	106,241	55,155
Other support			
Annual and other public meetings	1,000	1,476	847
Board training	500	108	240
Board travel	3,000	6,544	1,811
Foster parent education and program support	9,000	(215)	5,384
Insurance - bonding, fire and liability	23,000	23,167	22,074
Chance 2 Camp program	-	35,169	-
	36,500	66,249	30,356
	2,396,724	2,431,567	2,304,947
Recovery of expenditures from Dakota Ojibway Child and Family Services and Metis Child and Family Services	(133,800)	(119,159)	(132,400)
	2,262,924	2,312,408	2,172,547
Deficiency of revenue over expenses	$ (139,424)	$ (66,664)	$ (44,341)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Schedule 2 - Revenue and Expenses
Ward Care Fund

For the year ended March 31,	2007 Budget	2007 Actual	2006 Actual
Revenue			
Province of Manitoba			
Maintenance	$ 460,000	$ 1,129,490	$ 1,038,619
Special needs	565,000	-	-
Other	81,824	43,690	59,225
	1,106,824	1,173,180	1,097,844
Parents	1,740	2,429	1,678
Adoption Subsidy	-	54,157	-
	1,108,564	1,229,766	1,099,522
Expenses			
Activities	13,000	10,387	24,050
Daycare	73,500	6,330	5,667
Education and school supplies	6,500	4,800	6,164
Family support and homemaker service	26,000	31,121	25,728
Gifts	5,500	6,908	5,716
Maintenance			
Emergency homes	18,200	14,452	18,473
Foster homes			
Regular rate	464,000	462,168	461,438
Special rate	401,000	415,119	400,447
Adoption and other	7,000	93,908	75,701
Medical	12,000	28,619	12,437
Personal allowance	28,000	27,412	27,495
Summer camp	4,500	3,366	7,349
Therapy	28,000	19,679	27,223
Transitional funds	1,500	1,325	755
Travel and other	47,000	64,862	46,865
	1,140,700	1,190,456	1,145,508
Excess (deficiency) of revenue over expenses	$ (32,136)	$ 39,310	$ (45,986)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Schedule 3 - Revenue and Expenses
Family Support Innovations Fund

For the year ended March 31,	2007 Budget	2007 Actual	2006 Actual
Revenue			
Amortization of deferred contributions	$ 75,900	$ 62,041	$ 84,526
Expenses			
Salaries	72,508	69,056	71,980
Company pension plan	2,872	3,186	2,897
Staff insurance	934	597	1,000
Other benefits	3,519	2,730	3,531
Travel and other	5,450	3,966	5,118
	85,283	79,535	84,526
Deficiency of revenue over expenses	$ (9,383)	$ (17,494)	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Child and Family Services of Central Manitoba Inc.
Schedule 4 - Revenue and Expenses
Family Support Grant

For the year ended March 31,		2007 Budget	2007 Actual	2006 Actual
Revenue				
General Child and Family Services Authority	$	73,300 $	75,100 $	77,600
Expenses				
Day care		9,000	5,557	8,237
Family support wages and benefits		15,000	22,317	17,254
Homemaker wages and benefits		5,000	9,586	1,826
Travel and other		15,000	17,247	20,126
Support groups		5,000	-	1,659
Dakota Ojibway Child and Family Services and Metis Child and Family Services expenses		4,300	4,300	4,819
		53,300	59,007	53,921
Recovery of expenditures from Dakota Ojibway Child and Family Services and Metis Child and Family Services		(4,300)	(4,300)	(4,200)
		49,000	54,707	49,721
Excess of revenue over expenses	$	24,300 $	20,393 $	27,879

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

AUDITORS' REPORT

TO THE BOARD OF DIRECTORS
CHILD AND FAMILY SERVICES OF WESTERN MANITOBA:

We have audited the statement of financial position of **CHILD AND FAMILY SERVICES OF WESTERN MANITOBA** as at **MARCH 31, 2007** and the statements of surplus and operations for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at **MARCH 31, 2007** and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

CHARTERED ACCOUNTANTS

Brandon, Manitoba
April 27, 2007
November 20, 2007

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2007

	2007	2006
ASSETS		
CURRENT		
Cash	$ **703,978**	$ 135,972
Term deposits	**499,597**	479,367
Accounts receivable	**424,720**	259,225
Due from Province of Manitoba - vacation and severance pay	**396,215**	516,624
Prepaid expenses	**10,864**	12,304
Discounted certificates	**9,374**	9,492
	2,044,748	1,412,984
CAPITAL ASSETS (Note 2)	**1,861,124**	1,867,177
	$ **3,905,872**	$ 3,280,161

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CONSOLIDATED
March 31, 2007

	2007	2006
LIABILITIES		
CURRENT		
Deferred revenue	$ 55,264	$ 45,426
Working capital advance	174,700	174,700
Accounts payable	279,126	78,782
Vacation and severance pay accrual	562,685	516,624
Current portion of long-term debt (Note 4)	29,148	13,495
Funds held in trust	10,917	12,418
Employees' Trust Certificates	9,370	9,488
Short term loan payable	-	3,372
	1,121,210	854,305
LONG-TERM DEBT - BUILDING (Note 4)	602,668	646,095
SPECIAL ALLOWANCE TRUST FUND	144,011	129,909
	1,867,889	1,630,309
SURPLUS		
Operating Fund	359,072	64,564
Capital Fund	1,229,308	1,204,215
Trust Fund	449,603	381,073
	2,037,983	1,649,852
	$ 3,905,872	$ 3,280,161

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2007

	2007	2006
ASSETS		
CURRENT		
Cash	$ **481,835**	$ 81,742
Term deposits	**12,445**	11,736
Accounts receivable	**416,833**	257,660
Due from Province of Manitoba - vacation and severance pay	**396,215**	516,624
Prepaid expenses	**10,864**	12,304
	$ **1,318,192**	$ 880,066

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - OPERATING FUND
March 31, 2007

	2007	2006
LIABILITIES		
CURRENT		
Deferred revenue	$ 55,264	$ 45,426
Working capital advance	174,700	174,700
Accounts payable	166,471	78,752
Vacation and severance pay accrual	562,685	516,624
	959,120	815,502
SURPLUS (DEFICIT)		
Central Program Support	78,451	(294,000)
Resource Centre	4	(274)
Family Support Services & Brandon Avenue Projects	121,674	80,936
Child Maintenance	129,175	126,497
Residential Care	7,044	89,653
Early Learning Canada	5,371	-
Adoptive Families Project	(5,791)	(5,791)
Parenting Skills Project	2,714	2,714
Parenting Child Centres	2,411	2,411
Pre-school Enrichment	-	-
Victoria Day Care	17,309	61,708
Healthy Child Manitoba Programming	710	710
	359,072	64,564
	$ 1,318,192	$ 880,066

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - CAPITAL FUND
March 31, 2007

	2007	2006
ASSETS		
CAPITAL ASSETS (Note 2)	$ **1,861,124**	$ 1,867,177
LIABILITIES		
CURRENT		
Short term loan payable	-	3,372
Current portion of long-term debt (Note 4)	**29,148**	13,495
	29,148	16,867
LONG-TERM DEBT - BUILDING (Note 4)	**602,668**	646,095
	631,816	662,962
SURPLUS		
INVESTMENT IN CAPITAL ASSETS, per schedule	**1,229,308**	1,204,215
	$ **1,861,124**	$ 1,867,177

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2007

ASSETS	2007	2006
CURRENT		
Cash	$ 222,143	$ 54,230
Term deposits	487,152	467,631
Accounts receivable	7,887	1,565
Discounted certificate	9,374	9,492
	$ 726,556	$ 532,918

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FINANCIAL POSITION - TRUST FUND
March 31, 2007

	2007	2006
LIABILITIES		
CURRENT		
Funds held in trust - clients	$ 10,917	$ 12,418
Discounted certificate	9,370	9,488
Trust accounts payable	112,655	30
	132,942	21,936
SPECIAL ALLOWANCE TRUST FUND	144,011	129,909
	276,953	151,845
SURPLUS		
Surplus - White gift fund	3,087	-
Surplus - Staff gift fund	5,148	5,017
Surplus - Sun fund	11,748	8,900
Surplus - Facility account	370,091	300,370
Surplus - Holding account	21,022	23,449
Surplus - Investment Interest	-	30,251
Surplus - Endowment fund	-	-
Surplus - Special Allowance	-	3,936
Surplus - Training	38,507	9,150
	449,603	381,073
	$ 726,556	$ 532,918

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2007

	2007	2006
CENTRAL PROGRAM SUPPORT		
DEFICIT, BEGINNING OF YEAR	$ (294,000)	$ (151,120)
Deficit for year	73,579	(266,929)
Deficit recovery	298,872	124,049
DEFICIT, END OF YEAR	$ 78,451	$ (294,000)
RESOURCE CENTRE		
SURPLUS (DEFICIT), BEGINNING OF YEAR	$ (274)	$ 34,819
Surplus (deficit) for year	278	(35,093)
SURPLUS (DEFICIT), END OF YEAR	$ 4	$ (274)
FAMILY SUPPORT SERVICES & BRANDON AVENUE PROJECTS		
SURPLUS, BEGINNING OF YEAR	$ 80,936	$ 115,344
Family Support Services - Surplus (deficit) for year	37,439	(44,843)
Brandon Avenue Project - Surplus for year	3,299	10,435
SURPLUS, END OF YEAR	$ 121,674	$ 80,936
CHILD MAINTENANCE OPERATIONS		
SURPLUS, BEGINNING OF YEAR	$ 126,497	$ 112,644
Surplus for year - Child Maintenance	2,678	18,220
Surplus (deficit) for year - B Project	-	(4,367)
SURPLUS, END OF YEAR	$ 129,175	$ 126,497
RESIDENTIAL CARE		
SURPLUS, BEGINNING OF YEAR	$ 89,653	$ 95,860
Surplus (deficit) for year	(82,609)	(6,207)
SURPLUS, END OF YEAR	$ 7,044	$ 89,653
EARLY LEARNING CANADA		
SURPLUS, BEGINNING OF YEAR	$ -	-
Surplus for year	5,371	-
SURPLUS, END OF YEAR	$ 5,371	-

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2007

		2007	2006
ADOPTIVE FAMILIES PROJECT			
DEFICIT, BEGINNING OF YEAR	$	(5,791)$	(277)
Surplus (deficit) for year		-	(5,514)
SURPLUS (DEFICIT), END OF YEAR	$	(5,791)$	(5,791)
PARENTING SKILLS PROJECT			
SURPLUS, BEGINNING OF YEAR	$	2,714 $	2,520
Surplus (deficit) for year		-	194
SURPLUS (DEFICIT), END OF YEAR	$	2,714 $	2,714
PARENT CHILD CENTRES			
SURPLUS, BEGINNING OF YEAR	$	2,411 $	2,411
Deficit for year		-	-
SURPLUS, END OF YEAR	$	2,411 $	2,411
PRESCHOOL ENRICHMENT			
SURPLUS, BEGINNING OF YEAR	$	- $	-
Surplus (deficit) for year		-	-
DEFICIT, END OF YEAR	$	- $	-
VICTORIA DAY CARE			
SURPLUS, BEGINNING OF YEAR	$	61,708 $	51,216
Surplus for year		(44,399)	10,492
SURPLUS, END OF YEAR	$	17,309 $	61,708

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - OPERATING FUND
March 31, 2007

	2007	2006
EARLY START PROJECT		
SURPLUS, BEGINNING OF YEAR	$ -	$ 6,985
Deficit for year	-	(6,985)
SURPLUS, END OF YEAR	$ -	$ -
CHILD ABUSE PROJECT		
SURPLUS, BEGINNING OF YEAR	$ -	$ -
SURPLUS, END OF YEAR	$ -	$ -
HEALTHY CHILD MANITOBA PROGRAMMING		
SURPLUS, BEGINNING OF YEAR	$ 710	$ 432
Surplus for year	-	278
SURPLUS, END OF YEAR	$ 710	$ 710

STATEMENT OF INVESTMENT IN CAPITAL ASSETS - CAPITAL FUND
March 31, 2007

	2007	2006
INVESTMENT IN CAPITAL ASSETS, BEGINNING OF YEAR	$ 1,204,215	$ 1,208,332
Principal payments on mortgage made by Operating Fund	31,148	30,448
Capital assets purchased by Operating Fund and Trust Fund	100,772	72,724
	1,336,135	1,311,504
Amortization for the year	106,827	106,128
Disposals during the year	-	1,161
INVESTMENT IN CAPITAL ASSETS, END OF YEAR	$ 1,229,308	$ 1,204,215

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2007

	2007	2006
WHITE GIFT FUND		
SURPLUS, BEGINNING OF YEAR	$ -	$ -
Transfer to Other Trust Accounts	3,087	-
SURPLUS, END OF YEAR	$ 3,087	$ -
STAFF GIFT FUND		
SURPLUS, BEGINNING OF YEAR	$ 5,017	$ 5,454
Surplus (deficit) for year	131	(437)
SURPLUS, END OF YEAR	$ 5,148	$ 5,017
SUN FUND		
SURPLUS, BEGINNING OF YEAR	$ 8,900	$ 9,942
Surplus (deficit) for year	2,848	(1,042)
SURPLUS, END OF YEAR	$ 11,748	$ 8,900
FACILITY FUND OPERATIONS		
SURPLUS, BEGINNING OF YEAR	$ 300,370	$ 238,921
Surplus for year	69,062	61,449
Transfer to Other Trust Programs	659	-
SURPLUS, END OF YEAR	$ 370,091	$ 300,370
HOLDING ACCOUNT OPERATIONS		
SURPLUS, BEGINNING OF YEAR	$ 23,449	$ 20,976
Surplus (deficit) for year	(12,007)	2,473
Transfer to Other Trust Programs	9,580	-
SURPLUS, END OF YEAR	$ 21,022	$ 23,449
INVESTMENT INTEREST		
SURPLUS, BEGINNING OF YEAR	$ 30,251	$ 26,932
Surplus (deficit) for year	-	3,319
Transfer from Other Trust Programs	(30,251)	-
SURPLUS, END OF YEAR	$ -	$ 30,251

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SURPLUS (DEFICIT) - TRUST FUND
March 31, 2007

		2007		2006
ENDOWMENT FUND				
SURPLUS, END OF YEAR	$	-	$	-
SPECIAL ALLOWANCE				
SURPLUS, BEGINNING OF YEAR	$	3,936		-
Surplus for year		-		3,936
Transfer to Other Trust Programs		(3,936)		-
SURPLUS, END OF YEAR	$	-		3,936
TRAINING				
SURPLUS, BEGINNING OF YEAR	$	9,150	$	10,765
Surplus (deficit) for year		8,496		(1,615)
Transfer to Other Trust Accounts		20,861		-
SURPLUS, END OF YEAR	$	38,507	$	9,150

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - OPERATING FUND
Year ended in March 31, 2007

	2007 Approved (Unaudited)	Actual	2006 Actual
REVENUE			
Grant revenue	$ 4,613,972 $	4,990,413 $	4,387,100
Fees - Province of Manitoba	1,059,972	913,458	850,826
Operating revenue	844,817	901,959	1,390,671
Fees	465,838	822,609	817,405
Brandon School Division	16,500	17,449	48,095
Foundation	114,224	92,270	106,107
Miscellaneous	62,035	144,069	100,579
	7,177,358	7,882,227	7,700,783
EXPENSES, per schedule	7,345,384	7,754,654	7,927,929
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(168,026)	127,573	(227,146)
Transfer to Capital Fund	-	131,919	103,174
CHANGE IN SURPLUS FOR YEAR	$ (168,026)$	(4,346)$	(330,320)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF EXPENDITURES - COMBINED - OPERATING FUND
Year ended in March 31, 2007

	2007 Approved (Unaudited)	Actual	2006 Actual
Salaries, fees and related expenses	$ 4,353,388	$ 4,726,375	$ 4,752,824
Field service	129,242	114,615	112,129
Office operation	372,669	342,740	338,451
Professional services	73,458	82,771	95,182
Staff development	14,101	27,574	18,657
Board expenses	17,528	11,436	14,134
Other expenses	174,627	188,429	59,110
Other centres	65,273	71,288	65,577
Program expenditures	356,259	414,168	442,631
Child maintenance expenditures	1,788,839	1,775,258	2,029,234
	$ 7,345,384	$ 7,754,654	$ 7,927,929

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - COMBINED - TRUST FUND
March 31, 2007

		2007		2006
REVENUE				
Staff contributions	$	**1,623**	$	11,278
Charitable donations		**3,585**		4,010
Culture and heritage		**5,000**		5,000
Grant revenue - federal		**2,035**		1,777
CFS Foundation grant		**35,010**		28,427
Interest		**14,753**		10,662
Rent		**82,629**		80,615
Community campaign		**10,337**		22,284
Memberships		**1,105**		1,165
Miscellaneous		**-**		2,562
Training programs - fees		**26,400**		20,375
		182,477		188,155
EXPENDITURES				
Gift purchases		**1,492**		11,715
Camp fees		**34,546**		29,214
Office		**1,295**		1,598
Miscellaneous		**76**		1,238
Salaries		**5,910**		6,759
Transportation		**1,645**		3,115
CFS Supplements		**9,634**		5,608
Property taxes		**17,996**		17,857
Community campaign expenses		**23,449**		20,976
Training program - program costs		**17,904**		21,990
		113,947		120,070
CHANGE IN SURPLUS FOR YEAR	$	**68,530**	$	68,085

Due from Province of Manitoba - Vacation Pay

The amount receivable represents future grant revenue from the Province of Manitoba that will be used to fund earned vacation pay by employees that has been recorded as a liability at March 31, 2007. The amount receivable equals the amount of vacation pay that has been accrued as an account payable at March 31, 2007.

Investments

Investment are recorded as the lower of cost or market value. The market value of all investments held equals their cost at March 31, 2007.

Capital Assets

Capital assets purchased by the Operating Fund are recorded as a transfer to the Capital Fund with the amounts being recorded at cost in the Capital Fund. Assets purchased are recorded as an increase in capital assets and an increase in investment in capital assets. For assets that have been purchased through a debt obligation, the cost has been recorded as an increase in capital assets in the Capital Fund with the debt obligation being recorded as a liability in the Capital Fund. As the loan is repaid, the principal component of the loan payments paid by the Operating Fund is recorded as a transfer to the Capital Fund in the Operating Fund and an increase in investment in capital assets in the Capital Fund.

Amortization is recorded on a straight-line basis as a decrease in investment in capital assets in accordance with the following rates:

Buildings	-	2.5%
Equipment	-	5%
Furniture	-	5%
Automobiles		
First 12 months	-	30%
After	-	15%

Fund Accounting

Child and Family Services of Western Manitoba follows the restricted method of accounting for contributions.

The Operating Fund accounts for the program delivery and administration activities.

The Capital Fund records the assets, liabilities, revenues and expenses related to Child and Family Services of Western Manitoba's capital assets.

The Trust Fund reports resources held in trust for purposes outside of normal program delivery and administration purposes. Investment income and money received by the Trust Fund is reported as revenue in the Trust Fund and expenses relating directly to the trust funds are recorded as expenses in the Trust Fund.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
March 31, 2007

Financial Instruments
The organization's financial instruments consist of cash, accounts receivable, short-term investments, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Use of Estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Revenue Recognition
This organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. ENTITY DEFINITION

The organization is a registered charity providing family services in Western Manitoba. Any surplus it may generate is non-taxable.

2. CAPITAL ASSETS

	2007			2006
	Cost	**Accumulated Amortization**	**Net Value**	Net Value
800 MacTavish Avenue				
Building and land	**$ 812,774**	**$ (163,482)**	**$ 649,292**	$ 667,236
Office equipment and furniture	**313,149**	**(233,523)**	**79,626**	57,618
Other Centres				
Building and land	**1,064,119**	**(275,133)**	**788,986**	813,089
Equipment	**74,750**	**(41,899)**	**32,851**	36,588
2227 Brandon Avenue				
Building and land	**215,209**	**(138,540)**	**76,669**	81,388
Equipment	**40,096**	**(28,908)**	**11,188**	13,193
Cypress House				
Building and land	**136,402**	**(64,524)**	**71,878**	74,557
Equipment	**35,703**	**(30,957)**	**4,746**	5,802
7th Street House				
Building and land	**76,370**	**(44,839)**	**31,531**	33,042
Equipment	**19,741**	**(19,741)**		
Automobiles	**546,157**	**(431,800)**	**114,357**	84,664
	$ 3,334,470	**$ (1,473,346)**	**$ 1,861,124**	$ 1,867,177

3. BANK INDEBTEDNESS

The Royal Bank account carries an overdraft limit of $350,000 and carries interest at prime. As at March 31, 2007, the unused credit facility was $350,000. The overdraft limit is secured by a comfort letter from the Province of Manitoba.

4. LONG TERM DEBT

	2007	2006
Royal Trust mortgage, repayable at $5,878 monthly including interest at 7.65%, secured by land and building, matures 2021	**$ 631,816**	$ 659,590
Current portion	**29,148**	13,495
	$ 602,668	$ 646,095

Principal payments due in the next five years are as follows:

2008	-	$ 29,148
2009	-	31,311
2010	-	33,623
2011	-	36,095
2012	-	38,738
Thereafter	-	462,901
		$ 631,816

5. COMMITMENTS

The organization leases office equipment under operating leases. Minimum lease payments due in the next five years are as follows:

2008	-	$ 6,498
2009	-	3,249
2010	-	
2011	-	
2012	-	

6. ECONOMIC DEPENDENCE

Child and Family Services of Western Manitoba is economically dependent upon the Provincial Government of Manitoba for funding.

7. STATEMENT OF CASH FLOWS

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements. The organization paid $42,757 (2006 - $44,528) in interest on long-term debt in the year.

8. REISSUANCE OF FINANCIAL STATEMENTS

The amounts due from the Province of Manitoba - vacation and severance pay and deferred revenue have been adjusted from the amounts stated in the financial statements dated April 27, 2007. The reason for the adjustments is due to the fact that the Province will only fund vacation and severence pay for provincially funded programs up to a specified dollar value.

The amount due from the Province of Manitoba - vacation and severence pay decreased in the amount of $47,842, deferred revenue decreased by $24,535 and various non-provincially funded income statements decreased by $23,307. The amount adjusted on the income statements was the vacation pay expense. Deferred revenue was recognized on some of these programs to offset the additional amount recorded as vacation expense.

Auditors' Comments on Supplementary Financial Information

TO THE BOARD OF DIRECTORS
CHILD AND FAMILY SERVICES OF WESTERN MANITOBA:

The audited financial statements of **CHILD AND FAMILY SERVICES OF WESTERN MANITOBA** as at **MARCH 31, 2007** and our report thereon dated April 27, 2007 are presented in the preceding section of this annual report. The financial information presented hereinafter was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the financial statements and, in our opinion, it is fairly presented in all material respects in relation to the financial statements taken as a whole.

BDO Dunwoody LLP
Chartered Accountants
April 27, 2007
November 20, 2007

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF OPERATIONS - CENTRAL PROGRAM SUPPORT - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Grants, Province of Manitoba	$ **3,123,800**	$ **3,339,700**	$ 2,913,800
Residential Care contract fees	**51,955**	**51,955**	50,745
Rebates and interest	**10,000**	**29,391**	13,433
Secondment costs	**18,000**	**16,286**	146,995
School Division revenue	**-**	**-**	31,405
Adoption fees	**8,000**	**5,344**	7,517
Miscellaneous	**7,500**	**18,499**	8,542
Program Administration revenue	**7,815**	**7,302**	11,771
Foundation Transfer Central Program	**34,224**	**15,476**	33,232
Province of Manitoba - vacation and severance pay	**-**	**4,743**	(99,006)
	3,261,294	**3,488,696**	3,118,434
EXPENDITURES, per schedule			
Salaries, fees and related expenses	**2,688,463**	**2,584,222**	2,763,902
Field service	**129,242**	**115,089**	112,128
Office operation	**112,891**	**125,810**	119,484
Professional services	**73,458**	**82,771**	95,182
Staff development	**11,818**	**26,948**	17,607
Board expenses	**17,528**	**11,436**	14,134
Other	**172,833**	**150,995**	49,009
Other building expenses	**65,273**	**67,161**	64,374
Main office operations	**114,954**	**119,496**	89,092
	3,386,460	**3,283,928**	3,324,912
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	**(125,166)**	**204,768**	(206,478)
Transfer to Capital Fund - capital asset purchases	**-**	**100,043**	30,001
Transfer to Capital Fund - mortgage principal repayment	**-**	**27,774**	26,003
Transfer to Capital Fund - copier loan principal repayment	**-**	**3,372**	4,447
CHANGE IN SURPLUS FOR YEAR	$ **(125,166)**	$ **73,579**	$ (266,929)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
SALARIES, FEES AND RELATED EXPENSES			
Central support services	$ 188,082	$ 190,644	$ 208,979
Administration salaries	377,689	354,050	340,204
Supervisor salaries	368,779	378,017	305,383
Direct service - professionals	1,377,746	1,278,469	1,374,245
Payroll tax	49,715	46,551	50,424
Central program benefits	308,602	297,408	321,775
Secondment Staff	-	16,435	133,121
Vacation and severance pay change	-	4,798	(75,091)
Administration Casual	-	-	22,309
Serverence costs	17,850	17,850	82,553
	2,688,463	2,584,222	2,763,902
FIELD SERVICE COSTS			
Car operation	40,488	39,559	41,983
Private mileage	41,563	36,015	36,784
Travelling	13,735	8,668	6,554
Car insurance	33,456	30,847	26,807
	129,242	115,089	112,128
OFFICE OPERATIONS			
Equipment	2,050	13,735	5,282
Repairs and maintenance	1,025	13,443	15,611
Computer, payroll and miscellaneous costs	8,422	8,529	8,980
Computer support	5,330	-	-
Postage	13,142	13,114	12,610
Telephone and telegraph	47,225	47,727	47,431
Supplies	15,996	19,027	16,569
Miscellaneous	1,046	1,501	878
Audit	9,430	8,681	11,830
Lease payments	9,225	26	269
Interest	-	27	24
	$ 112,891	$ 125,810	$ 119,484

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
PROFESSIONAL SERVICES			
Legal	$ 62,000	$ 62,303	$ 84,829
Consulting	8,713	16,602	7,612
Documents	2,745	3,866	2,741
	73,458	82,771	95,182
STAFF DEVELOPMENT			
Staff in training	10,250	26,732	17,233
Library	1,568	216	374
	11,818	26,948	17,607
BOARD EXPENSES			
Board training and expenses	17,528	11,436	14,134
OTHER			
Advertising	7,588	9,200	2,083
Membership fees	4,182	9,366	4,262
Family assistance	6,919	13,320	7,700
Annual meeting and public relations	8,713	9,577	9,832
Insurance	22,600	16,136	16,477
Program supplies	78,731	90,296	5,555
Program evaluation	5,125	-	-
M.A.P.P.	3,100	3,100	3,100
Capital asset purchases	35,875	-	-
	172,833	150,995	49,009
OTHER BUILDINGS			
Rent	$ 65,273	$ 67,161	$ 64,374

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CENTRAL PROGRAM SUPPORT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
MAIN OFFICE OPERATIONS			
Mortgage payments - interest	$ 70,536	$ 42,757	$ 44,528
Repairs and maintenance	7,175	8,200	11,182
Janitorial	8,302	9,391	8,377
Building supplies	1,866	1,782	1,736
Hydro	9,686	8,407	8,432
Water	1,568	374	417
Gas	2,153	1,189	2,004
Property taxes	13,668	12,068	12,416
Designated intake	-	5,584	-
Differential response	-	29,744	-
	$ 114,954	$ 119,496	$ 89,092

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESOURCE CENTRE OPERATIONS - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	**Actual**	Actual
REVENUE			
Building operations	$ **58,450**	$ **58,450**	$ 57,025
Miscellaneous - Resource Centre	**18,687**	**22,422**	-
Career start grant	**2,000**	**3,053**	1,777
Miscellaneous	**7,500**	**36,107**	12,748
Brandon and District United Way	**17,000**	**17,370**	17,643
Foundation	**44,229**	**44,229**	31,407
Brandon School Division	**500**	**876**	1,563
Campaign and donations	**21,943**	**23,449**	20,976
City of Brandon grant	**10,000**	**7,500**	10,000
Visitation access service	**1,200**	**900**	900
Province of Manitoba - vacation pay	**-**	**(11,479)**	(137)
M.C.S.C Grant	**30,000**	**24,000**	2,500
Specified Grant	**32,640**	**32,720**	40,900
Cost Recovery HCM Core Funding	**12,735**	**11,078**	11,186
Parenting BEYT Immigrant	**-**	**3,834**	3,000
	256,884	**274,509**	211,488
EXPENDITURES, per schedule			
Salaries, fees and related expenses	**141,475**	**163,853**	144,485
Program expenses	**24,441**	**24,699**	21,662
Office/building maintenance	**90,968**	**85,679**	80,434
	256,884	**274,231**	246,581
SURPLUS (DEFICIT) ON RESOURCE CENTRE OPERATIONS FOR YEAR	$ **-**	$ **278**	$ (35,093)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESOURCE CENTRE EXPENDITURES - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	**Actual**	Actual
SALARIES, FEES AND RELATED EXPENSES			
F.L.E. Salaries	$ -	$ 2,098	$ -
Salaries - Other Centres	109,842	98,068	98,277
Career Start Hourly	5,203	4,148	-
Benefits	16,077	18,236	16,547
Child care salaries	-	38,558	27,401
Payroll tax	2,372	2,430	2,278
Resource Centre Hourly	7,981	-	-
Vacation pay change	-	315	(18)
	141,475	163,853	144,485
PROGRAM EXPENSES			
Food	1,500	917	194
Kitchen and cleaning supplies	1,600	1,976	1,339
Child care activities	2,132	1,777	1,075
Program supplies	3,500	1,597	1,112
Transportation	7,175	4,760	7,571
Advertising	513	594	799
Staff training	333	482	318
Camp supplies	513	405	545
PCHP BEYT Evaluation	-	514	2,601
Rural Prevention	7,175	7,624	2,028
Parenting BEYT Immigrant	-	4,053	4,080
	24,441	24,699	21,662
OFFICE/BUILDING MAINTENANCE			
Supplies	1,538	1,564	1,801
Repairs and maintenance	7,688	13,486	6,377
Equipment and furniture	1,046	2,806	588
Cleaning costs	7,329	2,645	6,624
Telephone	5,843	5,666	5,603
Hydro	9,417	6,481	6,751
Water	1,179	735	1,549
Gas	12,300	9,824	9,183
Insurance	7,431	6,300	6,668
Rent	36,172	36,172	35,290
Capital assets purchased	1,025	-	-
	$ 90,968	$ 85,679	$ 80,434

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FAMILY SUPPORT SERVICES OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Province of Manitoba Family support	$ 314,800	$ 320,600	$ 249,500
Miscellaneous	-	-	2,060
Adoption - financial assistants	102,500	96,684	102,389
Family contributions	-	174	126
Province of Manitoba - vacation pay	-	(1,905)	6,089
Ward maintenance	20,000	13,579	21,762
	437,300	429,132	381,926
EXPENDITURES			
Support worker salaries and benefits	136,348	143,395	129,830
Social workers assistants salaries and benefits	65,894	65,379	68,271
Family aides salaries and benefits	72,897	49,070	69,454
Homemaker salaries and benefits	16,822	5,261	13,473
Staff development	750	332	492
Support miscellaneous	1,384	1,869	9,675
Other family support	16,319	16,319	14,997
Support travel costs	21,844	11,301	16,089
Cell phones - support workers	2,553	2,049	2,099
Adoption - financial assistance	102,500	96,718	102,389
	437,311	391,693	426,769
(SURPLUS) DEFICIT ON FAMILY SUPPORT SERVICES FOR YEAR	$ (11)	$ 37,439	$ (44,843)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF BRANDON AVENUE PROJECT OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Children Special Services	$ 45,000	$ 39,560	$ 45,000
Support transfer	16,319	16,319	14,997
Family Services & Housing	15,833	27,667	21,825
Province of Manitoba - vacation pay	-	(3,266)	(645)
	77,152	80,280	81,177
EXPENDITURES			
Salaries and benefits	68,154	68,665	63,101
Food	1,538	1,353	1,422
Transportation	5,000	4,652	3,792
Miscellaneous	410	261	427
Administration costs	2,050	2,050	2,000
	77,152	76,981	70,742
SURPLUS ON BRANDON AVENUE PROJECT OPERATIONS FOR YEAR	$ -	$ 3,299	$ 10,435

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF CHILD MAINTENANCE OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Province of Manitoba - level 1	$ 725,172	$ 720,801	$ 690,160
Parent and guardian	17,132	8,400	21,028
Special needs grant	687,035	770,851	686,440
Exceptional circumstances	236,750	160,155	523,140
Repat	250	93	933
Special needs - other agencies	-	101,499	109,804
Basic - other agencies	122,500	16,136	15,643
Miscellaneous	-	-	305
	1,788,839	1,777,935	2,047,453
EXPENDITURES, per schedule	1,788,839	$ 1,775,257	$ 2,029,233
SURPLUS ON CHILD MAINTENANCE OPERATIONS FOR YEAR	$ -	$ 2,678	$ 18,220

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF CHILD MAINTENANCE EXPENDITURES - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	**Actual**	Actual
Regular rate foster home	**$ 659,854**	**$ 632,395**	$ 611,443
Independent living	**32,000**	**37,783**	34,586
Gifts	**9,750**	**6,002**	6,277
Education	**18,850**	**14,471**	10,923
Activities	**18,850**	**11,308**	9,500
Emergency homes	**500**	**370**	566
Emergency retainer	**17,500**	**11,511**	15,463
Damage and special occasions	**2,000**	**823**	1,244
Transportation	**15,000**	**8,340**	19,010
Special rate - foster homes	**500,000**	**558,400**	521,033
Non-pay shelter costs	**2,000**	**1,582**	1,409
Miscellaneous	**15,550**	**46,878**	35,260
Respite - foster parent	**48,583**	**74,009**	49,331
Home visits	**60,786**	**38,241**	39,496
Therapy	**12,371**	**15,847**	14,901
Medical	**4,019**	**7,320**	3,989
Initial clothing	**7,590**	**10,582**	7,218
Age of majority	**4,136**	**5,733**	3,711
Children in care support	**-**	**7,469**	209
Repatriation costs	**250**	**93**	933
Exceptional circumstances	**2,750**	**153**	2,782
Regular rate - other agencies	**15,000**	**14,941**	14,577
Agency allowances - other agencies	**2,500**	**-**	2,258
Special rate - other agencies	**105,000**	**110,297**	107,107
Extra one time expense	**15,000**	**8,972**	41,776
Level V - Service	**219,000**	**151,737**	474,231
	$ 1,788,839	**$ 1,775,257**	$ 2,029,233

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF B PROJECT OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Basic maintenance	$ -	$ -	$ 2,127
Special rate	-	-	42,054
Province of Manitoba - vacation pay	-	-	(5,972)
	-	-	38,209
EXPENDITURES, per schedule			
Salaries and benefits	-	-	36,487
Building and administration costs	-	-	2,718
Direct costs	-	-	3,371
	-	-	42,576
SURPLUS (DEFICIT) ON B PROJECT OPERATIONS FOR YEAR	$ -	$ -	$ (4,367)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF B PROJECT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
SALARIES AND BENEFITS			
Salaries	$ -	$ -	$ 23,754
Relief	-	-	6,822
Employee benefits	-	-	5,118
Payroll tax	-	-	793
	-	-	36,487
BUILDING AND ADMINISTRATION COSTS			
Rent	-	-	1,388
Equipment and furniture	-	-	473
Repairs and maintenance	-	-	14
Utilities	-	-	518
Telephone	-	-	32
Building insurance	-	-	190
Miscellaneous	-	-	25
Staff training	-	-	78
	-	-	2,718
DIRECT COSTS			
Food	-	-	921
Household	-	-	357
Clothing	-	-	214
Personal allowance	-	-	164
Activities	-	-	614
Education	-	-	242
Health	-	-	94
Transportation	-	-	714
Gifts	-	-	51
	$ -	$ -	$ 3,371

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF RESIDENTIAL CARE OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Province of Manitoba fees	$ 128,798	$ 485,491	$ 481,961
Province of Manitoba grant	270,200	272,300	267,500
Special relief	-	-	3,442
Miscellaneous	-	4,017	9,982
Province of Manitoba - vacation and severance pay	-	(71,516)	9,948
Other agencies - Cypress	74,257	82,441	85,883
	473,255	772,733	858,716
EXPENDITURES, per schedule			
Salaries and benefits	393,502	721,558	714,233
Building	44,425	63,679	64,380
Administration	3,153	7,122	9,241
Direct	37,140	62,254	65,632
TOTAL EXPENDITURES	478,220	854,613	853,486
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	(4,965)	(81,880)	5,230
Transfer to Capital Fund	-	729	11,437
CHANGE IN SURPLUS FOR YEAR	$ (4,965)	$ (82,609)	$ (6,207)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
SALARIES AND BENEFITS			
Salary costs	$ 305,729	$ 544,478	$ 544,281
Relief costs	33,169	71,837	74,690
Special relief costs	-	2,218	3,155
Employee benefits	47,319	73,336	72,725
Payroll levy	7,285	13,087	13,264
Workers' compensation	-	3,420	3,604
Vacation and severance pay change	-	13,182	2,514
	393,502	721,558	714,233
BUILDING			
Rent	15,221	23,017	22,456
Utilities	8,088	11,545	11,615
Household supplies	2,153	6,138	4,152
Repairs and maintenance	10,250	6,648	10,771
Insurance	7,175	10,255	10,660
Equipment	513	6,076	4,702
Capital assets	1,025	-	24
	44,425	63,679	64,380
ADMINISTRATION			
Office supplies	205	369	415
Advertising	256	513	468
Bank charges	26	5	5
Miscellaneous	103	203	239
Telephone	1,333	3,688	2,541
Staff training	1,230	2,344	5,573
	$ 3,153	$ 7,122	$ 9,241

SCHEDULE OF RESIDENTIAL CARE EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
DIRECT			
Food	$ 15,375	$ 26,953	$ 25,187
Clothing	4,262	6,050	6,651
Personal allowances	3,326	3,384	4,039
Education	769	3,727	8,560
Group activity allowance	4,100	6,817	7,878
Gifts	718	1,170	1,084
Medical	359	1,961	989
Transportation	4,705	10,192	11,244
Consultation	2,460	2,000	-
Transition - Cypress	1,066	-	-
	$ 37,140	$ 62,254	$ 65,632

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY LEARNING CANADA OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Brandon School Division	$ 16,000	$ 16,573	$ 15,127
EXPENDITURES			
Salaries and benefits	12,600	7,956	8,894
Child care	-	965	2,174
Food	1,000	491	768
Transportation	400	154	-
Books and supplies	500	211	2,091
Advertising	100	54	-
Administration costs	1,200	1,351	1,200
Staff training	200	20	-
	16,000	11,202	15,127
SURPLUS ON EARLY LEARNING CANADA OPERATIONS FOR YEAR	$ -	$ 5,371	$ -

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF ADOPTIVE FAMILIES PROJECT OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Grant	$ 49,835	$ 44,441	$ 48,060
Province of Manitoba - Vacation pay	-	(4,663)	777
Recovery - Central Program	-	15,418	-
	49,835	55,196	48,837
EXPENDITURES			
Salaries and benefits	51,830	52,885	51,056
Program administration costs	3,377	2,311	3,295
	55,207	55,196	54,351
SURPLUS (DEFICIT) ON ADOPTIVE FAMILIES PROJECT OPERATIONS FOR YEAR	$ (5,372)	$ -	$ (5,514)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENT SKILLS PROJECT OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Province of Manitoba grant	$ 56,965	$ 49,759	$ 58,740
Province of Manitoba - vacation pay	-	(4,538)	3,048
Recovery - Central Program	-	14,326	-
	56,965	59,547	61,788
EXPENDITURES			
Salaries and benefits	53,241	57,933	59,916
Travel	-	12	-
Program supplies	3,500	1,602	1,678
	56,741	59,547	61,594
SURPLUS (DEFICIT) ON BRANDON EARLY YEARS TEAM OPERATIONS FOR YEAR	$ 224	$ -	$ 194

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF BRANDON EARLY YEARS TEAM OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Healthy Child Manitoba Grant	$ 25,000	$ 24,897	$ 25,000
Province of Manitoba - vacation	-	(4,551)	-
	25,000	20,346	25,000
EXPENDITURES			
Salaries	17,750	13,648	18,122
Employee benefits	5,183	3,771	2,970
Child care costs	-	1,381	2,029
Program supplies	834	297	240
Administration costs	400	544	349
Food costs	400	507	375
Transportation	100	(106)	14
Staff training	333	(3)	208
Community connections computer	-	307	693
	25,000	20,346	25,000
DEFICIT ON PARENT CHILD CENTRES FOR YEAR	$ -	$ -	$ -

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PRE-SCHOOL ENRICHMENT OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Department of Family Services Transportation	$ 5,000	$ 4,625	$ 5,862
Grant maintenance	58,240	58,007	57,574
Fees - province	71,500	70,227	69,256
Fees - parent	12,020	17,512	14,034
Private funds	11,446	7,278	-
CFS Foundation	-	-	10,517
Manitoba Community Services Council grant	-	-	2,500
Disabilities Grant	39,825	34,186	26,879
Specified Grant	28,800	29,689	37,100
Other	-	2,568	20,075
Province of Manitoba - vacation pay	-	(4,288)	(175)
Brandon District United Way	17,000	17,000	17,000
Province of Manitoba	-	20,283	-
Miscellaneous	9,200	8,317	8,078
	253,031	265,404	268,700
EXPENDITURES, per schedule			
Staff salaries and benefits	197,851	195,812	185,795
Program	9,952	6,002	10,064
Office and building	19,431	44,106	20,482
Administration	25,797	19,484	21,072
	253,031	265,404	237,413
SURPLUS (DEFICIT) BEFORE TRANSFER TO CAPITAL FUND	-	-	31,287
Transfer to Capital Fund	-	-	31,287
CHANGE IN SURPLUS FOR YEAR	$ -	$ -	$ -

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 169,704	$ 168,767	$ 161,328
Benefits	28,147	27,045	24,467
	197,851	195,812	185,795
PROGRAM			
Food	6,851	2,490	6,652
Kitchen and cleaning supplies	871	768	886
Activity supplies	615	565	1,018
Equipment and furniture	513	240	258
Equipment repairs	77	-	-
Special projects	1,025	1,939	1,250
	9,952	6,002	10,064
OFFICE AND BUILDING			
Rent	10,918	10,918	10,652
Repairs and maintenance	1,614	25,672	3,307
Contract cleaners	1,568	2,060	1,366
Leasehold improvements	615	795	130
Equipment	103	61	833
Utilities	4,100	4,600	4,194
Capital asset purchases	513	-	-
	$ 19,431	$ 44,106	$ 20,482

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF PRE-SCHOOL ENRICHMENT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
ADMINISTRATION			
Postage	$ 154	$ 577	$ 136
Advertising and office supplies	154	580	747
Telephone	1,538	1,545	1,445
Insurance	3,951	2,926	3,007
Travel	12,915	10,195	11,288
Staff training	615	1,367	891
Audit fee	1,558	1,525	1,547
Bad debt - preschool	4,613	571	1,617
Association dues - preschool	299	198	394
	$ 25,797	$ 19,484	$ 21,072

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF VICTORIA DAY CARE OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Department of Family Services grant	$ 128,128	$ 128,128	$ 122,792
Handicapped staffing grant	53,404	63,640	63,479
Fees - province	113,565	120,913	123,039
Bad debt recovery	-	-	161
Parents fees	80,000	71,167	70,853
Challenge grant	1,100	1,510	1,459
Miscellaneous	100	429	455
Province of Manitoba - vacation pay	-	(26,480)	866
	376,297	359,307	383,104
EXPENDITURES, per schedule			
Staff salaries and benefits	332,957	334,293	322,208
Program	18,062	20,774	16,199
Office and building	25,590	34,887	23,439
Administration	14,424	13,752	10,766
	391,033	403,706	372,612
SURPLUS (DEFICIT) ON VICTORIA DAY CARE OPERATIONS FOR YEAR	$ (14,736)	$ (44,399)	$ 10,492

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	Actual	Actual
STAFF SALARIES AND BENEFITS			
Salaries	$ 285,284	$ 290,331	$ 279,436
Benefits	47,673	43,962	42,772
	332,957	334,293	322,208
PROGRAM			
Food	13,530	15,564	12,153
Kitchen and cleaning supplies	1,743	2,867	2,112
Activity supplies	1,046	1,060	1,609
Equipment and furniture	1,025	846	(276)
Equipment repairs	205	44	-
Special projects	513	393	601
	18,062	20,774	16,199
OFFICE AND BUILDING			
Rent	12,522	12,522	12,217
Repairs and maintenance	3,075	7,364	3,718
Contract cleaners	2,448	7,397	2,255
Equipment and furniture	-	476	-
Leasehold improvements	1,538	3,127	1,054
Utilities	4,982	4,001	4,195
Capital asset purchases	1,025	-	-
	$ 25,590	$ 34,887	$ 23,439

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

SCHEDULE OF VICTORIA DAY CARE EXPENDITURES - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	Actual	Actual
ADMINISTRATION			
Telephone	$ 1,281	$ 1,328	$ 1,411
Postage	718	133	288
Insurance	3,885	2,926	3,007
Association fees	179	181	175
Advertising	314	49	789
Travel	615	362	1,615
Staff training	769	1,007	1,915
Audit fee	1,538	1,525	1,547
Bad debts expense	5,125	6,241	19
	$ 14,424	$ 13,752	$ 10,766

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF EARLY START PROJECT OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Early start revenue	$ -	$ -	$ 35,782
Southwest Day Care	-	-	5,785
Province of Manitoba - vacation pay	-	-	(3,628)
	-	-	37,939
EXPENDITURES, per schedule			
Program	-	-	40,689
Office and building	-	-	4,235
TOTAL EXPENDITURES	-	-	44,924
DEFICIT ON EARLY START PROJECT OPERATIONS FOR YEAR	$ -	$ -	$ (6,985)

SCHEDULE OF EARLY START PROJECT EXPENDITURES - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
PROGRAM			
Home visitor salaries and benefits	$ -	$ -	$ 25,398
Other salaries and benefits	-	-	5,832
Vacation pay change	-	-	(473)
Travel	-	-	801
Training	-	-	769
Supplies	-	-	101
Toys	-	-	360
Workshops	-	-	130
Miscellaneous	-	-	17
Supervisor salary	-	-	6,760
Supervisor benefits	-	-	994
	-	-	40,689
FACILITY SERVICE COSTS			
Secretarial	-	-	417
Office	-	-	472
Telephone	-	-	799
Audit and accounting fees	-	-	128
Administration and supervision	-	-	2,419
	$ -	$ -	$ 4,235

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF CHILD ABUSE PROJECTS OPERATIONS - OPERATING FUND
March 31, 2007

	2007 Approved (Unaudited)	2007 Actual	2006 Actual
REVENUE			
Child abuse grant	$ 65,000	$ 65,000	$ -
Recovery Central Programs	72,850	86,868	-
Province of Manitoba - Accrued vacation	-	-	-
	137,850	151,868	-
EXPENDITURES			
Programs supplies	-	678	-
Salaries and benefits	137,850	151,182	-
Travel	-	8	-
	137,850	151,868	-
DEFICIT ON DOWNTOWN DAY CARE OPERATIONS FOR YEAR	$ -	$ -	$ -

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF HEALTHY CHILD MANITOBA PROGRAMMING - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	**Actual**	Actual
REVENUE			
Healthy Child MB Core Funding	**$ 50,000**	**$ 50,000**	$ 50,000
Recovery - BEYT	**25,000**	**27,807**	27,149
Recovery Child Care RC	**12,735**	**16,582**	11,186
	87,735	**94,389**	88,335
EXPENDITURES			
Salaries and benefits	**68,800**	**79,271**	73,338
Program supplies	**2,500**	**891**	622
Administration costs	**1,200**	**1,634**	1,244
Food	**1,200**	**1,523**	1,317
Staff training	**1,000**	**(8)**	350
Office and building	**12,735**	**11,078**	11,186
Transportation	**300**	**-**	-
	87,735	**94,389**	88,057
SURPLUS ON HEALTHY CHILD MANITOBA PROGRAMMING OPERATIONS FOR YEAR	**$ -**	**$ -**	$ 278

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF PARENT CHILD HOME PROGRAM - OPERATING FUND
March 31, 2007

	2007		2006
	Approved (Unaudited)	Actual	Actual
REVENUE			
Literacy Manitoba Grant	$ -	$ 3,750	$ 3,600
CFS Foundation - PCHP	35,771	32,565	30,951
	35,771	36,315	34,551
EXPENDITURES			
Food	256	344	91
Program supplies	3,639	6,995	5,694
Rent	1,230	964	1,200
Salaries and benefits	29,621	28,012	27,287
Travel	1,025	-	279
	35,771	36,315	34,551
SURPLUS ON PARENT CHILD HOME PROGRAM OPERATIONS FOR YEAR	$ -	$ -	$ -

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF STAFF GIFT FUND OPERATIONS - TRUST FUND
March 31, 2007

		2007		2006
REVENUE				
Staff contributions	$	1,623	$	11,278
EXPENDITURES				
Gift purchases		1,492		11,715
DEFICIT ON STAFF GIFT FUND OPERATIONS FOR YEAR	$	131	$	(437)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF SUN FUND OPERATIONS - TRUST FUND
March 31, 2007

	2007	2006
REVENUE		
Charitable donations	**$ 3,585**	$ 4,010
Culture and Heritage	**5,000**	5,000
Grant revenue - federal	**2,035**	1,777
CFS Foundation grant	**35,010**	28,427
Interest	**690**	690
	46,320	39,904
EXPENDITURES		
Camp fees	**34,546**	29,214
Office	**1,295**	1,598
Other	**76**	260
Salaries	**5,910**	6,759
Transportation	**1,645**	3,115
	43,472	40,946
SURPLUS (DEFICIT) ON SUN FUND OPERATIONS FOR YEAR	**$ 2,848**	$ (1,042)

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF FACILITY FUND OPERATIONS - TRUST FUND
March 31, 2007

		2007	2006
REVENUE			
Interest	$	**14,063** $	4,502
Rent		**82,629**	80,615
		96,692	85,117
EXPENDITURES			
CFS supplements		**9,634**	5,608
Miscellaneous		**-**	203
Property taxes		**17,996**	17,857
		27,630	23,668
CHANGE IN SURPLUS FOR YEAR	$	**69,062** $	61,449

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF HOLDING ACCOUNT OPERATIONS - TRUST FUND
March 31, 2007

		2007	2006
REVENUE			
Community campaign	$	**10,337** $	22,284
Memberships		**1,105**	1,165
		11,442	23,449
EXPENDITURES			
Community campaign expenses		**23,449**	20,976
SURPLUS (DEFICIT) ON HOLDING ACCOUNT OPERATIONS FOR YEAR	$	**(12,007)**$	2,473

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF INVESTMENT INTEREST - TRUST FUND
March 31, 2007

	2007	2006
REVENUE	$ -	$ 2,562
Interest income	-	1,533
	-	4,095
EXPENDITURES		
Miscellaneous	-	776
SURPLUS ON OTHER TRUST ACCOUNT OPERATIONS FOR YEAR	$ -	$ 3,319

CHILD AND FAMILY SERVICES OF WESTERN MANITOBA

STATEMENT OF TRAINING - TRUST FUND
March 31, 2007

	2007	2006
REVENUE		
Training Programs - fees	$ -	$ 6,800
Attachment conference	**26,400**	13,575
	26,400	20,375
EXPENDITURES		
Training program - program costs	**17,904**	21,990
SURPLUS (DEFICIT) ON OTHER PROGRAMS OPERATIONS FOR YEAR	**$ 8,496**	$ (1,615)

STATEMENT OF SPECIAL ALLOWANCE - TRUST FUND
March 31, 2007

	2007	2006
REVENUE		
Special allowance certificate	$ -	$ 3,936
EXPENDITURES		
SURPLUS ON SPECIAL ALLOWANCE OPERATIONS FOR YEAR	$ -	$ 3,936

BDO

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Rapport des vérificateurs

L'Assemblée législative du Manitoba
Le Bureau des gouverneurs
Collège universitaire de Saint-Boniface

Nous avons vérifié le bilan consolidé du **Collège universitaire de Saint-Boniface** au 31 mars 2007 et les états consolidés de l'évolution des soldes de fonds, des résultats, et des flux de trésorerie pour l'exercice terminé à cette date. La responsabilité de ces états financiers incombe à la direction du **Collège universitaire de Saint-Boniface**. Notre responsabilité consiste à exprimer une opinion sur ces états financiers en nous fondant sur notre vérification.

Notre vérification a été effectuée conformément aux normes de vérification généralement reconnues du Canada. Ces normes exigent que la vérification soit planifiée et exécutée de manière à fournir l'assurance raisonnable que les états financiers sont exempts d'inexactitudes importantes. La vérification comprend le contrôle par sondages des informations probantes à l'appui des montants et des autres éléments d'information fournis dans les états financiers. Elle comprend également l'évaluation des principes comptables suivis et des estimations importantes faites par la direction, ainsi qu'une appréciation de la présentation d'ensemble des états financiers.

À notre avis, ces états financiers consolidés donnent, à tous les égards importants, une image fidèle de la situation financière du **Collège universitaire de Saint-Boniface** au 31 mars 2007, ainsi que des résultats de son exploitation et de ses flux de trésorerie pour l'exercice terminé à cette date selon les principes comptables généralement reconnus du Canada.

BDO Dunwoody SRL

Comptables agréés

Winnipeg (Manitoba)
le 11 mai 2007

Collège universitaire de Saint-Boniface
Bilan

Au 31 mars	**2007**	2006
	000 $	000 $
Actif		
Actif à court terme		
Espèces et quasi-espèces (note 3)	**19 678**	19 783
Comptes à recevoir et autres actifs	**4 280**	3 087
	23 958	22 870
Immobilisations (note 4)	**12 555**	12 572
	36 513	35 442
Passif et soldes de fonds		
Passif à court terme		
Comptes à payer et frais courus	**3 663**	3 506
Revenus reportés	**523**	677
Contributions reportées (note 5)	**978**	596
	5 164	4 779
Soldes de fonds		
Non grevés d'affectations	**1 257**	1 279
Affectations d'origine interne (note 10)	**8 657**	8 462
Investis en immobilisations	**12 555**	12 572
Fonds de dotation	**8 880**	8 350
	31 349	30 663
	36 513	35 442

Approuvé par le Bureau des gouverneurs du Collège universitaire de Saint-Boniface.

_______________________ Président

_______________________ Rectrice

Collège universitaire de Saint-Boniface
État de l'évolution des soldes de fonds

Pour l'exercice terminé le 31 mars

	Non grevés d'affectations 000 $	Affectations d'origine interne 000 $	Investis en immobilisations 000 $	Fonds de dotation 000 $	2007 000 $	2006 000 $
Solde, au début de l'exercice	1 279	8 462	12 572	8 350	30 663	28 376
Excédent des revenus sur dépenses	724	-	(568)	530	686	2 287
Allocation au fonds d'affectation d'origine interne (note 10)						
Revenus - intérêts	(195)	195	-	-	-	-
Virements						
Achats d'immobilisations	(551)	-	551	-	-	-
Changement net de l'exercice	(22)	195	(17)	530	686	2 287
Solde, à la fin de l'exercice	1 257	8 657	12 555	8 880	31 349	30 663

Les notes afférentes font partie intégrante de ces états financiers consolidés.

Collège universitaire de Saint-Boniface
État des résultats

Pour l'exercice terminé le 31 mars	**2007**	2006
	000 $	000 $
Revenus		
Octrois - Provincial	**10 816**	10 728
- Fédéral	**4 043**	4 178
Droits de scolarité	**3 318**	3 069
Autres revenus	**1 668**	2 029
Intérêts	**846**	872
Dons	**589**	528
Total - Revenus	**21 280**	21 404
Dépenses		
Salaires et avantages sociaux	**14 193**	13 749
Matériel et autres	**4 289**	3 213
Amortissement	**870**	856
Déplacements et conférences	**434**	405
Bourses et prix	**410**	402
Services publics	**398**	492
Total - Dépenses	**20 594**	19 117
Excédent des revenus sur dépenses	**686**	2 287

Collège universitaire de Saint-Boniface
État des flux de trésorerie

Pour l'exercice terminé le 31 mars	**2007**	2006
	000 $	000 $
Flux de trésorerie liés aux activités d'exploitation		
Excédent des revenus sur dépenses	**686**	2 287
Éléments hors caisse		
Amortissement	**870**	856
Gain sur ventes d'immobilisations	**-**	(131)
	1 556	3 012
Variations d'éléments du fonds de roulement		
Comptes à recevoir et autres actifs	**(1 193)**	(795)
Comptes à payer et frais courus	**157**	237
Revenus reportés	**(154)**	(67)
Contributions reportées	**382**	(473)
	748	1 914
Flux de trésorerie liés aux activités d'investissement		
Achats d'immobilisations	**(853)**	(3 677)
Ventes d'immobilisations	**-**	570
	(853)	(3 107)
Dimunition nette des espèces et quasi-espèces	**(105)**	(1 193)
Espèces et quasi-espèces, au début de l'exercice	**19 783**	20 976
Espèces et quasi-espèces, à la fin de l'exercice	**19 678**	19 783

1. Autorité et objectifs

Le **Collège universitaire de Saint-Boniface** (CUSB) est constitué en corporation dans la province du Manitoba depuis 1871. Le CUSB est régie par son Bureau des gouverneurs sous l'autorité de la *Loi sur le Collège universitaire de Saint-Boniface*, C.P.L.M. cC150.2.

Le CUSB a pour objectifs de répondre aux besoins éducatifs des collectivités francophones du Manitoba et du Canada et de favoriser leur mieux-être sur les plans linguistique, culturel, économique et social. Pour atteindre ces objectifs, il offre, en français, une vaste gamme de possibilités en matière d'éducation et de recherche.

Le CUSB est un organisme de bienfaisance enregistré et bénéficie à ce titre de l'exonération d'impôt sur le revenu prévue à l'article 149 de la *Loi de l'impôt sur le revenu.*

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées

Les présents états financiers consolidés ont été dressés conformément aux principes comptables généralement reconnus du Canada. Le CUSB a adopté la méthode de comptabilité par fonds, et a comptabilisé les apports selon la méthode de comptabilité par fonds affectés. Les apports affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel les dépenses relatives sont engagées. Les apports non affectés sont comptabilisés à titre de revenus pour l'exercice au cours duquel ils sont reçus. Les dotations, ainsi que les apports destinés à l'acquisition et au développement d'immobilisations, sont comptabilisés à titre d'augmentations directes des actifs nets.

Il existe trois fonds principaux au CUSB : le Fonds de fonctionnement général, le Fonds de dotation et le Fonds des immobilisations.

Le Fonds de fonctionnement général couvre la prestation des programmes et les activités administratives. Il est constitué des ressources non affectées et des subventions de fonctionnement affectées. Il s'étend notamment aux opérations et activités suivantes :

- Secteur universitaire;
- École technique et professionnelle;
- Éducation permanente;
- Institut Joseph-Dubuc;
- Centre de recherche; qui comprend le Centre d'études franco-canadiennes de l'ouest et les apports affectés à la recherche;
- Fonds administratif; qui comprend des projets spéciaux et certaines opérations administratives, soit les activités relatives à l'informatique et au centre multimédia ainsi qu'à des fins particulières autres que l'acquisition et le développement d'immobilisations;
- Les affectations d'origine interne.

Le Fonds de dotation est constitué des apports destinés par exemple aux bourses et prix pour les étudiants. Les revenus d'intérêt générés par ces ressources sont comptabilisés dans le Fonds de dotation.

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées (suivi)

Immobilisations

Les immobilisations acquises par le CUSB sont comptabilisées au coût, alors que celles qui sont reçues en dons sont comptabilisées à leur juste valeur marchande à la date du don. Les immobilisations font l'objet d'un amortissement linéaire en fonction de leur durée de vie utile estimative, laquelle est établie comme suit :

Immeubles et améliorations	60 ans
Équipement et ameublement	10 ans
Équipement informatique et logiciels	5 ans

L'amortissement est comptabilisé dans le Fonds des immobilisations.

Les acquisitions relatives à la bibliothèque (livres, périodiques, vidéocassettes, audiocassettes, etc.) sont cataloguées et imputées à l'exercice au cours duquel ces acquisitions ont lieu. La collection de livres rares, dont la plupart constituent des dons, est inventoriée et assurée; toutefois, ces livres rares ne sont ni comptabilisés à titre d'immobilisations ni amortis. Une évaluation du coût des collections n'est pas disponible.

Le CUSB reçoit quelquefois des dons en nature qui sont comptabilisés à leur juste valeur lorsque celle-ci peut faire l'objet d'une estimation raisonnable. Toutefois, ces dons en nature ne sont pas amortis. La valeur des dons reçus en nature au cours de l'exercice terminé le 31 mars 2007 a été d'environ 50 000 $, et la valeur de ceux qui ont été reçus antérieurement n'a pas été jugée significative.

Inventaires

Les achats de fournitures sont imputés à l'exercice au cours duquel ces achats ont lieu, et la valeur des inventaires à la fin de l'exercice n'est pas comptabilisée car elle est jugée négligeable. Le CUSB n'exploite pas de librairie, et ses services alimentaires sont donnés à contrat au secteur privé.

Placements

Les placements sont comptabilisés au moindre du coût et de la valeur au marché.

2. Sommaire des principales politiques comptables et méthodes de présentation utilisées (suivi)

Constatation des revenus

Les apports affectés au fonctionnement général sont comptabilisés dans le Fonds de fonctionnement général, à titre de revenus pour l'exercice financier au cours duquel les dépenses visées ont été engagées ou, selon le cas, au cours duquel l'activité ou le projet visé a pris fin. Tous les autres apports affectés sont comptabilisés à titre de revenus soit du Fonds de dotation, soit du Fonds des immobilisations, selon le cas.

Les apports non affectés sont comptabilisés dans le Fonds de fonctionnement général à titre de revenus pour l'exercice financier au cours duquel ils ont été reçus.

Les apports destinés à la dotation sont comptabilisés à titre de revenus du Fonds de dotation. Quant aux revenus de placement générés par les ressources du Fonds de dotation, peu importe que celles-ci aient été affectées ou non, ils sont comptabilisés à titre de revenus du Fonds de dotation. Puisque les apports au Fonds de dotation sont destinés à l'attribution de bourses et prix aux étudiants et puisque les revenus de placement qu'il génère y sont directement reliés, le Fonds de dotation est donc considéré comme étant totalement constitué d'affectations d'origine externe et ne peut être utilisé à aucune autre fin que pour des bourses aux étudiants.

Tous les autres revenus de placement qui ne sont pas générés par les ressources du Fonds de dotation sont comptabilisés à titre de revenus du Fonds de fonctionnement général.

Fonds grevés d'affectations d'origine interne

Le Bureau des gouverneurs a établi des provisions pour divers besoins, situations et événements connus et imprévus. Ces provisions résultent de transferts de fonds non affectés du Fonds de fonctionnement général.

Chaque année, le Bureau décide de majorer ces provisions ou d'y effectuer des retraits. Une politique du Bureau régit la procédure relative à l'établissement, la majoration et la suppression de telles provisions et aux retraits qui en sont faits.

Main-d'œuvre bénévole

Des bénévoles consacrent chaque année des centaines d'heures à collaborer aux programmes et activités du CUSB. Les états financiers n'en rendent pas compte car malgré la valeur considérable de ce travail bénévole, il est très difficile d'en établir la juste valeur marchande.

3. Espèces et quasi-espèces

Les espèces et quasi-espèces sont représentées par:

	2007	2006
	000 $	000 $
Encaisse	(44)	171
Placements à court terme *	19 722	19 612
	19 678	19 783

Le CUSB dispose d'une marge de crédit d'un montant autorisé de 1 000 000 $ portant des intérêts au taux préférentiel plus 0,25%. Cette marge n'était pas utilisée au 31 mars 2007.

* Composé de reçus de dépôt, de bons du trésor, des coupons et d'obligations d'état.

Au 31 mars 2007, la juste valeur marchande des placements à court terme était de 19 914 517 $ (19 627 216 $ au 31 mars 2006).

4. Immobilisations

	2007			2006
	Coût	Amortissement cumulé	Valeur comptable nette	Valeur comptable nette
	000 $	000 $	000 $	000 $
Immeubles et améliorations	17 384	7 342	10 042	9 567
Équipement et ameublements	4 489	2 545	1 944	2 187
Équipement informatique et logiciels	6 250	5 681	569	818
	28 123	15 568	12 555	12 572

5. Contributions reportées

Les contributions reportées sont constituées des apports qui ont été reçus aux fins de projets et activités particuliers, et des affectations d'origine externe qui n'ont pas encore été dépensées. Le tableau ci-dessous présente sommairement l'évolution des contributions reportées :

	2007	2006
	000 $	000 $
Solde, début de l'exercice	**596**	1 069
Apports reçus	**1 916**	1 442
Virements aux revenus	**(1 534)**	(1 915)
Changement net de l'exercice	**382**	(473)
Solde, fin de l'exercice	**978**	596

6. Obligation relatives aux avantages sociaux et au régime de pension des employés

Les obligations relatives aux avantages sociaux futurs, hormis le régime de pension, se rapportent à l'assurance vie et invalidité et à l'assurance médicale et dentaire des employés. Il s'agit de régimes d'assurance privés dont les primes sont assumées conjointement par le CUSB et ses employés. Le CUSB administre en outre son propre régime d'assurance invalidité de courte durée, dont il assume les frais à titre de congés pour cause de maladie ou d'accident. Les dépenses relatives aux congés sabbatiques et d'étude du personnel enseignant sont comptabilisées dans l'exercice au cours duquel ces congés sont pris. Le CUSB comptabilise les congés annuels à venir de tous les membres de son personnel, ainsi que les congés administratifs.

Le régime de pension du CUSB est un régime à cotisations déterminées, et les cotisations patronales qu'il y verse constituent sa seule obligation car il n'encourt aucune responsabilité quant au rendement des placements effectués dans le cadre du régime.

7. Instruments financiers

Les instruments financiers du CUSB comprennent les espèces et quasi-espèces, les comptes à recevoir, les comptes à payer et les frais courus. À moins d'indication contraire, la direction du CUSB est d'avis qu'il n'est pas exposé à des risques d'intérêts, de change ou de crédit importants provenant de ces états financiers. Le CUSB n'a fait l'acquisition d'aucun produit financier dérivé, que ce soit à titre d'instruments de couverture des risques de change ou de taux d'intérêt ou pour gérer les positions de change.

8. Engagements

Le CUSB est locataire de pièces d'équipement inhérentes à ses activités. Les dates d'expiration des contrats de location visés s'échelonneront sur les cinq prochains exercices financiers. Les loyers ainsi exigibles s'élèvent à moins de 125 000 $ par année.

9. Taxes foncières

Les taxes foncières s'élevaient à 5 784 $ (2006-2007), comparativement à 118 493 $ (2005-2006). En 2001, le gouvernement manitobain avait annoncé l'élimination progressive, sur une période de cinq ans, des taxes foncières imputables aux universités; les subventions provinciales n'ont subi aucune réduction.

10. Soldes des fonds d'affectations d'origine interne

	Début de l'exercice	Opérations majorations	Retraits	Fin de l'exercice
	000 $	000 $	000 $	000 $
Bourses et prix	2 123	49	-	2 172
Campagne de levée de fonds/ appariement des dons	1 060	24	-	1 084
Projets stratégiques	1 291	30	-	1 321
Projets d'immobilisations importantes	1 639	38	-	1 677
Financement de transition de programmes et de services	2 349	54	-	2 403
	8 462	195	-	8 657

Selon la politique en vigueur, les fonds d'affectations d'origine interne portent l'intérêt au taux annuel de l'indice des prix à la consommation de 2,3 % (2 % en 2005-2006). Cette mesure vise à protéger les soldes contre les effets de l'inflation.

Les fonds d'affectations d'origine interne comprennent des soldes de fonds non affectés du Fonds de fonctionnement général qui font l'objet d'une affectation d'origine interne par le Bureau des gouverneurs.

Les principales catégories et la nature des affectations d'origine interne sont les suivantes:

Bourses et prix - les revenus de placement générés par le solde de ce fonds sont destinés à augmenter le montant annuellement disponible pour l'attribution des bourses aux étudiantes et aux étudiants qui proviennent des Fonds d'affectations d'origine externe du Fonds de dotation et des subventions et dons annuels.

10. Soldes des fonds d'affectations d'origine interne (suivi)

Campagne de levée de fonds/appariement des dons - ces fonds sont prévus pour suppléer, au besoin, aux ressources disponibles, dans le cadre de l'organisation d'une importante campagne de financement et au programme d'appariement de dons et de contributions.

Projets stratégiques - ces fonds sont destinés à combler la différence entre les montants requis et les ressources disponibles dans le but de compléter des projets ou d'entamer des projets de nature stratégique mais de courte durée. Quoique non exhaustives, les catégories de projets suivantes ont été retenues:

a) recherche: les fonds destinés à suppléer au Fonds de fonctionnement général pour effectuer les projets de recherches entrepris par les professeurs;

b) bibliothèque: les fonds destinés à suppléer au Fonds de fonctionnement général pour l'achat de matériel documentaire nécessaire dans le but d'appuyer l'enseignement et la recherche;

c) recrutement, marketing, encadrement de la clientèle étudiante, soutien linguistique, programme de sécurité et autres projets de fonctionnement: les fonds destinés à suppléer, de façon ponctuel, aux besoins de base dans une situation ou les ressources disponibles sont insuffisantes.

Projets d'immobilisations importantes - ces fonds sont destinés au financement des étapes préliminaires de projets d'agrandissement des espaces physiques du CUSB, à la contribution d'une partie des coûts en capital d'un projet ou l'acquisition de futures immobilisations.

Financement de transition de programmes et de services - ces fonds sont destinés au maintien de certains programmes ou services pour une période de courte durée, touchés par une baisse dans le financement accordé par les gouvernements ou un retrait partiel ou total d'un financement donné.

Il est important de souligner que la présentation des Fonds d'affectations d'origine interne a été modifiée par le Bureau des gouverneurs depuis l'exercice précédent dans le but de simplifier les regroupements de ces fonds. Le solde de fin de l'exercice 2005-2006 demeure le même.

11. Estimation des montants

Pour dresser les états financiers, la direction recourt à des estimations et des hypothèses qui déterminent les montants qui y sont consignés, qu'il s'agisse des montants d'actif et de passif à la date des états financiers, ou des montants des revenus et des dépenses pour l'exercice financier concerné. Il est possible que les résultats financiers réels diffèrent des montants ainsi estimés.

12. Chiffres comparatifs

Certains chiffres de l'année précédente ont été changés pour les conformer à la présentation de l'année courante.

Collège universitaire de Saint-Boniface
Cédule détaillée du bilan par fonds

Au 31 mars

	Fonctionnement général 000 $	Immobilisations 000 $	Dotation 000 $	2007 000 $	2006 000 $
Actif					
Actif à court terme					
Espèces et quasi-espèces (note 3)	10 786	-	8 892	19 678	19 783
Comptes à recevoir et autres actifs	4 195	-	85	4 280	3 087
	14 981	-	8 977	23 958	22 870
Immobilisations (note 4)	-	12 555	-	12 555	12 572
Inter-fonds	97	-	(97)	-	-
	15 078	12 555	8 880	36 513	35 442
Passif et soldes de fonds					
Passif à court terme					
Comptes à payer et frais courus	3 663	-	-	3 663	3 506
Revenus reportés	523	-	-	523	677
Contributions reportées (note 5)	978	-	-	978	596
	5 164	-	-	5 164	4 779
Soldes de fonds					
Non-grevés d'affectations	1 257	-	-	1 257	1 279
Affectations d'origine interne (note 10)	8 657	-	-	8 657	8 462
Investis en immobilisations	-	12 555	-	12 555	12 572
Fonds de dotation	-	-	8 880	8 880	8 350
	9 914	12 555	8 880	31 349	30 663
	15 078	12 555	8 880	36 513	35 442

Collège universitaire de Saint-Boniface
Cédule détaillée des résultats par fonds

Pour l'exercice terminé le 31 mars

	Fonctionnement général 000 $	Immobilisations 000 $	Dotation 000 $	2007 000 $	2006 000 $
Revenus					
Octrois - Provincial	10 514	302	-	10 816	10 728
- Fédéral	4 043	-	-	4 043	4 178
Droits de scolarité	3 318	-	-	3 318	3 069
Autres revenus	1 663	-	5	1 668	2 029
Intérêts	500	-	346	846	872
Dons	-	-	589	589	528
Total - Revenus	20 038	302	940	21 280	21 404
Dépenses					
Salaires et avantages sociaux	14 193	-	-	14 193	13 749
Matériel et autres	4 086	-	203	4 289	3 213
Amortissement	-	870	-	870	856
Déplacements et conférences	433	-	1	434	405
Bourses et prix	204	-	206	410	402
Services publics	398	-	-	398	492
Total - Dépenses	19 314	870	410	20 594	19 117
Excédent des revenus (dépenses)	724	(568)	530	686	2 287

Collège universitaire de Saint-Boniface
Cédule détaillée des résultats du fonds de fonctionnement général

Pour l'exercice terminé le 31 mars

	Universitaire 000 $	École technique et professionnelle 000 $	Éducation permanente 000 $	Fonds administratif 000 $	Institut Joseph-Dubuc 000 $	Centre de recherche 000 $	2007 000 $	2006 000 $
Revenus								
Octrois - Provincial	7 113	2 851	93	457	-	-	10 514	9 299
- Fédéral	619	416	201	2 429	178	200	4 043	4 178
Droits de scolarité	2 218	500	586	14	-	-	3 318	3 069
Autres revenus	231	49	454	776	98	55	1 663	1 882
Intérêts	-	-	-	500	-	-	500	530
Total - Revenus	10 181	3 816	1 334	4 176	276	255	20 038	18 958
Dépenses								
Salaires et avantages sociaux	8 411	3 027	1 026	1 517	85	127	14 193	13 662
Matériel et autres	1 592	582	218	1 385	240	69	4 086	3 177
Déplacements et conférences	163	66	71	92	23	18	433	400
Bourses et prix	9	7	-	188	-	-	204	304
Services publics	260	51	10	77	-	-	398	492
Total - Dépenses	10 435	3 733	1 325	3 259	348	214	19 314	18 035
Excédent des revenus (dépenses)	(254)	83	9	917	(72)	41	724	923

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Directors of
COMMUNITIES ECONOMIC DEVELOPMENT FUND

We have audited the statement of financial position of **COMMUNITIES ECONOMIC DEVELOPMENT FUND** as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 18, 2007

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Financial Position

March 31	**2007**	2006
Assets		
Current Assets		
Cash	**$ 625,411**	$ 289,347
Trust deposits - Province of Manitoba	**7,627**	1,329,818
Due from the Province of Manitoba (Note 2)	**2,104,903**	2,028,844
Accounts receivable	**106,294**	64,078
Property held for resale	**4,879**	153,808
Prepaid expenses	**13,991**	7,242
	2,863,105	3,873,137
Loans receivable (Note 3)	**21,393,330**	19,610,537
Capital assets (Note 4)	**14,834**	17,151
	$ 24,271,269	$ 23,500,825
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,063,168**	$ 349,568
Interest payable to the Province of Manitoba	**405,198**	352,821
	1,468,366	702,389
Commitments (Notes 5 and 6)		
Accrued pension liability	**1,765,596**	1,637,502
Advance by the Province of Manitoba (Note 7)	**21,037,307**	21,160,934
	$ 24,271,269	$ 23,500,825

Approved on behalf of the Board:

______________________ Director

______________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Loan interest		
TEAM	$ 3,150	$ 4,117
Business program	866,176	876,937
Fisheries program	991,478	938,066
Investment income	60,764	34,496
	1,921,568	1,853,616
Cost of Funds		
Interest paid to the Province of Manitoba		
Business program	480,213	455,950
Life insurance	73,421	73,853
Trust line of credit	105,555	75,844
Fisheries program	564,986	558,424
	1,224,175	1,164,071
Gross margin	697,393	689,545
Operating expenditures (Page 15)	1,636,677	1,783,687
	(939,284)	(1,094,142)
Other income - administration fees	52,926	81,680
Deficiency of revenue over expenditures before provision for doubtful loans	(886,358)	(1,012,462)
Provision for doubtful loans - regular operations	627,803	501,374
Deficiency of revenue over expenditures before subsidy due from the Province of Manitoba	(1,514,161)	(1,513,836)
Subsidy due from the Province of Manitoba	1,514,161	1,513,836
Excess of revenue over expenditures for the year	$ -	$ -

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Deficiency before subsidy	$ (1,514,161)	$ (1,513,836)
Adjustments for		
Amortization of capital assets	6,703	10,476
Provision for doubtful loans	627,803	501,374
	(879,655)	(1,001,986)
Accounts receivable	(42,216)	(30,118)
Accrued interest receivable	(168,963)	72,242
Prepaid expenses	(6,749)	(1,124)
Accounts payable	713,600	(587,357)
Accrued interest payable	52,377	(158,833)
Accrued pension liability	128,094	(10,365)
	(203,512)	(1,717,541)
Cash Flows from Financing Activities		
(Increase) decrease - Due from the Province of Manitoba	(76,059)	91,378
Increase (decrease) - Advance by the Province of Manitoba	(123,627)	890,937
Subsidy - Province of Manitoba	1,514,161	1,513,836
	1,314,475	2,496,151
Cash Flows from Investing Activities		
Loans receivable, net of repayments	(3,563,826)	637,870
Purchase of capital assets	(4,385)	(5,780)
Property held for resale	148,929	37,940
Trust deposits	1,322,192	-
	(2,097,090)	670,030
Net increase (decrease) in cash and cash equivalents	(986,127)	1,448,640
Cash and cash equivalents, beginning of year	1,619,165	170,525
Cash and cash equivalents, end of year	$ 633,038	$ 1,619,165
Represented by		
Cash	$ 625,411	$ 289,347
Trust deposits - Province of Manitoba	7,627	1,329,818
	$ 633,038	$ 1,619,165
Supplementary Information		
Interest paid	$ (1,097,000)	$ (1,248,549)
Interest received	2,402,841	1,891,361

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Summary of Significant Accounting Policies

March 31, 2007

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reported period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Loans Receivable	Loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Loans considered uncollectible are written-off. Recoveries on loans previously written-off are taken into income.
Allowance for Doubtful Loans	Business Loan Program - The loans are reviewed quarterly to assess potential impairment or loss of value. Impaired loans are defined as those which are greater than two payments in arrears and for which the value of realizable security is less than the value of the loan outstanding. In these cases, a "specific" allowance is accrued equal to the value of the potential security shortfall or impairment. In all other cases, including loans that are both current and for which there is excess security value, a "non-specific" allowance equal to 5% of the outstanding loan balance is recorded. Fisheries Loan Program - The allowance for doubtful loans on fisheries loans and interest receivable is calculated based on the present value of future cash flows for those loans which, if they maintain their past payment history, will fail to retire their debt completely within the agreed term. The net present value ("NPV") formula used for calculating the allowance for doubtful loans is recognized by the Canadian Institute of Chartered Accountants, however, it does not account for closure of a fishery or regulated reduction of production. In the event of the closure of a fishery or regulated reduction of production, the NPV formula may not adequately provide for doubtful loans.
Revenue Recognition	Interest on loans is recorded as income on an accrual basis except for loans which are considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount of the underlying security. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Summary of Significant Accounting Policies

March 31, 2007

Pension Expense and Obligation

The employees of the Fund are not members of the Civil Service of the Province of Manitoba but they contribute to, and are pensionable under, the Civil Service Superannuation Fund. In accordance with the provisions of the Manitoba Civil Service Superannuation Act, the Fund will contribute 50% of the pension payments made to retired employees. The current pension expense consists of the employer's share of pension benefits paid to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent actuarial valuation as at December 31, 2004 indicated the accrued liability is in line with the obligation forecast in the report.

In fiscal years prior to 1989, the Fund charged to operations contributions to the Manitoba Civil Service Superannuation Fund which amounted to 50% of the pension payments made to retired employees. Beginning in the 1989 fiscal year, the Fund has recorded a provision to fund current service obligations.

The total liability as at March 31, 2007 amounts to $1,765,596 (2006 - $1,637,502).

Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated on a straight-line basis as follows:

Office furniture and equipment	10 - 30%

Financial Instruments

The Fund's financial instruments consist of cash, trust deposits, accounts receivable, loans receivable, accounts payable and amounts due to (from) the Province of Manitoba.

The financial risk is the risk to the Fund's revenues that arise from fluctuations in interest rates and degree of volatility of these rates. The Fund has established policies to manage its exposure to fluctuating interest (referred to as interest rate risk).

The Fund is exposed to credit risk that arises from the collection of loans receivable and realization of property held for resale.

All financial instruments are denominated in Canadian dollars.

The Fund does not participate in derivative financial instrument trading or foreign exchange transactions.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Notes to Financial Statements

March 31, 2007

1. Nature of the Fund

The Communities Economic Development Fund was established in 1971 (Ch. C155) as a Crown Corporation to encourage the optimum economic development of remote and isolated communities within the Province of Manitoba. With an act revision passed in July, 1991 the objective of the Fund was set to encourage economic development in Northern Manitoba, to act as a lending authority in the fishing industry in the Province of Manitoba and to provide financial assistance to Aboriginal people in the Province outside the City of Winnipeg. The Business and Fisheries Loan Programs are administered under the C.E.D.F. Act.

2. Due from the Province of Manitoba

Annually, the Province of Manitoba provides a grant to cover the Fund's anticipated subsidy requirements for the year. The amount of $2,104,903 (2006 - $2,028,844) represents additional funds needed to cover the actual requirements for the year including coverage for the pension liability. The balance is comprised of the following:

	2007	2006
Department of Aboriginal and Northern Affairs		
Subsidy (refundable)	$ 173,548	$ 263,178
Order in Council pending	100,359	62,764
Pension (unfunded)	1,746,878	1,620,890
Pension (funded)	18,718	16,612
Severance accrual (unfunded)	65,400	65,400
	$ 2,104,903	$ 2,028,844

3. Loans Receivable

	2007	2006
Business Loan Program		
- Interest rates applied range from 4.125% to 5.5%		
Principal	**$ 12,495,516**	$ 10,736,028
Accrued interest	**790,175**	665,387
	13,285,691	11,401,415
Allowance for doubtful loans (Note 8)	**1,739,027**	1,441,646
	11,546,664	9,959,769
Fisheries Loan Program		
- Interest rates applied range from 4.125% to 5.25%		
Principal	**12,042,494**	11,705,019
Accrued interest	**940,432**	885,110
	12,982,926	12,590,129
Allowance for doubtful loans (Note 8)	**3,140,168**	2,949,198
	9,842,758	9,640,931
TEAM Loan Program		
Principal	**3,755**	38,979
Accrued interest	**153**	11,301
	3,908	50,280
Allowance for doubtful loans (Note 8)	**-**	40,443
	3,908	9,837
	$ 21,393,330	$ 19,610,537

The following schedule provides the gross amount of loans together with the loan allowances:

	2007 **Gross Loan Balances**	**Total Allowance**	2006 Gross Loan Balances	Total Allowance
Business Loan Program				
Impaired	**$ 2,340,180**	**$ 553,631**	$ 2,340,182	$ 451,542
Performing	**10,945,511**	**1,185,396**	9,061,233	990,104
	13,285,691	**1,739,027**	11,401,415	1,441,646
Fisheries Loan Program				
Impaired	**$ 3,140,168**	**$ 3,140,168**	$ 2,949,198	$ 2,949,198
Performing	**9,842,758**	**-**	9,640,931	-
	$ 12,982,926	**$ 3,140,168**	$ 12,590,129	$ 2,949,198
TEAM Loan Program				
Impaired	**$ 3,908**	**$ -**	$ 50,280	$ 40,443

4. Capital Assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture and equipment	$ 156,234	$ 141,400	$ 14,834	$ 17,151

5. Loan Commitments

	2007	2006
Undisbursed balance of approved loans	$ 950,156	$ 3,413,270

6. Commitments

The Fund has committed to leases as follows:

Digital mail equipment	$3,093 annually, expires April 2008
Postage scale and software	$737 semi-annually, expires February 2009

7. Advance by the Province of Manitoba

	2007	2006
Business Loan Program (Note 9)	$ 9,906,881	$ 10,328,418
Fisheries Loan Program (Note 9)	11,130,426	10,832,516
	$ 21,037,307	$ 21,160,934

The Fund obtains capital for the purpose of carrying out its mandate of providing financial assistance in the form of loans and guarantees through loans provided by the Department of Finance. Term loans bear interest at the rates posted by the Department of Finance at time of issue. The Fund also has the option to draw funds on floating rates set periodically at the Royal Bank prime rate minus 3/4%. At year end, the Fund's instruments bore rates ranging from 4.10% to 5.75% with a weighted cost of capital of 4.56%.

8. Allowance for Doubtful Loans

The change in the allowance is accounted for as follows:

			2007	2006
	Specific	Non-Specific	Total	Total
Business Loan Program				
Balance, beginning of year	$ 990,104	$ 451,542	$ 1,441,646	$ 1,381,348
Provision for the year	325,714	102,089	427,803	369,874
	1,315,818	553,631	1,869,449	1,751,222
Loans written-off	(130,422)	-	(130,422)	(309,576)
Balance, end of year	$ 1,185,396	$ 553,631	$ 1,739,027	$ 1,441,646
Fisheries Loan Program				
Balance, beginning of year			$ 2,949,198	$ 2,834,581
Provision for the year			200,000	131,500
			3,149,198	2,966,081
Loans written-off			(9,030)	(16,883)
Balance, end of year			$ 3,140,168	$ 2,949,198
TEAM Loan Program				
Balance, beginning of year			$ 40,443	$ 51,996
Loans previously allowed for written-off			(40,443)	(11,553)
Balance, end of year			$ -	$ 40,443

The provision for fish loan losses recorded by the Fund exceeds the value derived by the net present value formula as at March 31, 2007 by $555,574 (2006 - $278,134).

	2007	2006
Loan Loss Provision		
Per accounts	$ 3,140,168	$ 2,949,198
Per net present value calculation	(2,584,594)	(2,671,064)
	$ 555,574	$ 278,134

The commercial fishing industry is cyclical in nature and as a result, no adjustment has been made to the loan loss provision as at March 31, 2007.

9. Loan Programs

Business Loan Program

The Communities Economic Development Fund is included under the Province of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance pursuant to "The Loan Act, 2006". The advances are repayable at any time in whole or in part at the option of the Lieutenant Governor in Council.

Advances from the Business Loans Program are accounted for as follows:

	2007	2006
Advances, beginning of year	**$ 11,832,828**	$ 11,731,301
Loan advances	**1,759,488**	3,550,337
Loan advance repayments	**(1,724,659)**	(3,187,562)
Loan write-offs	**(130,422)**	(261,248)
	11,737,235	11,832,828
Unfunded allowance, beginning of year	**1,504,410**	1,951,448
Provision for doubtful loans	**427,803**	369,874
Write-offs (Order in Council approved)	**(101,859)**	(816,912)
	1,830,354	1,504,410
Net balance, end of year (Note 7)	**$ 9,906,881**	$ 10,328,418

9. Loan Programs (continued)

Fisheries Loan Program

Advances to the Fisheries Loan Program are accounted for as follows:

	2007	2006
Advances, beginning of year	**$ 13,781,710**	$ 13,373,656
Loan advances	**337,179**	3,649,472
Loan advance repayments	**169,763**	(3,175,600)
Loan write-offs	**(9,032)**	(65,818)
	14,279,620	13,781,710
Unfunded allowance, beginning of year	**2,949,194**	2,883,512
Provision for doubtful loans	**209,032**	131,500
Write-offs (Order in Council approved)	**(9,032)**	(65,818)
	3,149,194	2,949,194
Net balance, end of year (Note 7)	**$ 11,130,426**	$ 10,832,516

10. Loan Act Authority

Amounts authorized for advances under "The Loan Act, 2006" are as follows:

	2007
Per Schedule A of "The Loan Act, 2006"	**$ 3,800,100**
Per Schedule B of "The Loan Act, 2005"	**13,199,811**
Direct loans	**16,999,911**
Advances made during the fiscal year	**7,000,000**
Unused Loan Act capital available	**$ 9,999,911**

11. Economic Dependence

The ongoing operations of the Communities Economic Development Fund depends on obtaining adequate financing and funding. The Fund is dependent upon the Province of Manitoba for funding of operations.

12. Fair Value of Financial Instruments

The carrying amounts of cash and deposits, accounts receivable, amounts due from the Province of Manitoba and accounts payable are a reasonable estimate of the fair value because of the short maturity of those instruments. The advances by the Province of Manitoba has a market rate of return (Note 7) and is a reasonable estimate of the fair value.

The carrying value of loans receivable approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

COMMUNITIES ECONOMIC DEVELOPMENT FUND
Schedule of Operating Expenditures

For the year ended March 31	2007	2006
Amortization of capital assets	$ **6,703**	$ 10,476
Collection costs	**67,761**	149,416
Communications	**48,818**	49,323
Credit reports	**2,255**	2,809
Directors' fees and expenses	**66,445**	74,485
Government vehicles	**43,956**	44,883
Insurance	**1,432**	2,826
Legal costs	**13,816**	12,396
Office supplies and expenses	**18,425**	21,095
Pension	**172,772**	175,144
Professional fees	**27,235**	25,600
Rent and utilities	**94,598**	86,713
Salaries and benefits	**974,321**	1,001,298
Sundry	**18,536**	29,933
TEAM	**23,722**	31,590
Travel	**55,882**	65,700
	$ 1,636,677	$ 1,783,687

Manitoba

Agriculture, Food
and Rural Initiatives
The Co-operative Loans and Loans
Guarantee Board
905G-401 York Avenue
Winnipeg MB R3C OP8
Phone: (204) 945-8650
Fax: (204) 945-6134

June 14,2007

The Co-operative Loans and Loans Guarantee Board

Responsibility for Financial Reporting

The accompanying Schedule of Loan Guarantee Transactions, and other financial information in the Annual Report for the year ended March 31,2007, are the responsibility of management and have been approved by the Board. This Schedule was prepared by management in accordance with the accounting policies set out in Note 2 to the Schedule. Any financial information contained elsewhere in the Annual Report conforms to the Schedule of Loan Guarantees.

As management is responsible for the integrity of the Schedule, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Auditor General advises that he has performed an independent examination of the Schedule of Loan Guarantee Transactions of the Board in accordance with Canadian generally accepted auditing standards.

Dg Beauchemin

Dori Gingera-Beauchemin
Secretary of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT
On the Schedule of Loan Guarantee Transactions

To the Legislative Assembly of Manitoba
To the Members of The Co-operative Loans and Loans Guarantee Board

We have audited the schedule of loan guarantee transactions of The Co-operative Loans and Loans Guarantee Board as at March 31,2007. This financial information is the responsibility of the Board's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial information is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial information.

In our opinion, this schedule presents fairly, in all material respects, the loan guarantee transactions of the Board as at March 31,2007 in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 15,2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

The Co-operative Loans and Loans Guarantee Board

Schedule of Loan Guarantee Transactions for the year ended March 31,2007

	Amounts Outstanding at March 31,2006 $	Additions $	Cancellations $	Amounts Outstanding at March 31,2007 $
Loan Guarantees: (Note 3)				
S M W Workers Co-op Ltd.	77,000		11,000	66,000
Russell Fitness Centre Co-op Inc.	8,000		8,000	
	85,000		19,000	66,000

Approved by the Board:

Chairperson

Dg Beauchemin Secretary

The Co-operative Loans and Loans Guarantee Board

Notes to the Schedule
for the year ended March 31, 2007

1. Nature of Operations

The Co-operative Associations Loans and Loans Guarantee Act established the Board with the primary objective of ensuring that cooperative organizations have access to basic financial services. The Board is empowered to make loans or guarantee loans to cooperative organizations in Manitoba. Manitoba Agriculture, Food and Rural Initiatives administers the activities of the Board. The Department pays all administrative and general operating costs of the Board. The Board may charge a fee for its loans and loan guarantees. The Department records all revenue received.

2. Accounting Policies

a) Loan guarantees are stated at the amount guaranteed.
b) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the support staff services have been estimated at $8,210 (2006 $1,853).
c) In the event of a default on a loan guarantee, the Province of Manitoba is responsible for the payout of the guaranteed amount.

3. Loan Guarantees

a) S M W Workers Co-op Ltd.

On March 15, 1999, the Board approved an offer of a ten-year loan guarantee for S M W Workers Co-op Ltd. of $120,000. The loan guarantee was to reduce by $12,000 per year, beginning on July 31, 2000. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, in July 1999.

On June 25, 2002, the Board approved a new $110,000 loan guarantee to replace the outstanding $96,000 loan guarantee. The Minister of Industry, Trade and Mines approved the new loan guarantee on June 27, 2002. The Assiniboine Credit Union Limited and the S M W Workers Co-op Ltd. accepted the loan guarantee, on January 7, 2003. The loan guarantee shall reduce by $11,000 per year beginning February 4, 2004.

Notes to the Schedule
for the year ended March 31, 2007

3. Loan Guarantees (Continued)

b) Russell Fitness Centre Co-op Inc.
On October 17, 2002, the Board approved a $20,000 loan guarantee. The Vanguard Credit Union Limited accepted the loan guarantee and signed an agreement with Russell Fitness Centre Co-op Inc. on February 11, 2003. The loan guarantee shall reduce by $4,000 per year beginning on August 8, 2003. The Vanguard Credit Union Limited confirmed that the loan was repaid in full on April 1, 2006 and the loans guarantee was cancelled on that date.

4. Loan Act Authority

The Government of the Province of Manitoba has authorized the following amounts to be expended for funding loans and loan guarantees:

Authority	Outstanding Expenditure Authority
The Loan Act, 2006 (Schedule B)	
Guarantees	$3,500,000
Less: Amounts committed by the Board	66,000
	$3,434,000

Manitoba

Agriculture, Food
and Rural Initiatives
The Cooperative Promotion Board
1129 Queens Avenue
Brandon MB R7A 1L9
Phone: (204) 726-6410
Fax: (204) 726-6260

June 15,2007

The Cooperative Promotion Board

Responsibility for Financial Reporting

The accompanying financial statements and other financial information in the Annual Report for the year ended March 31,2007 are the responsibility of management and have been approved by the Board. The financial statements were prepared by management in accordance with the accounting policies set out in Note 2 to the financial statements. Any financial information contained elsewhere in the annual Report conforms to these financial statements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The Office of the Auditor General advises that he has performed an independent examination of the financial statements of the Board in accordance with Canadian generally accepted auditing standards.

Mona Cornock

Mona Cornock
Secretary of the Board

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Members of The Cooperative Promotion Board

We have audited the balance sheet of The Cooperative Promotion Board as at March 31, 2007, the General Account statement of revenue and expenditure and retained earnings and the Commercial Fishing Account statement of revenue and expenditure and retained earnings for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 15, 2007

The Cooperative Promotion Board

Balance Sheet
as at March 31,2007

	2007	2006
ASSETS		
General Account		
Current Assets		
Cash (Note 3)	$ 340,131	$ 354,510
Account Receivable (Note 4)	564	564
Accrued Interest Receivable	3,602	3,038
Total Current Assets	344,297	358,112
Commercial Fishing Account		
Current Assets		
Cash (Note 3)	70,269	67,554
Accrued Interest Receivable	676	583
Total Current Assets	70,945	68,137
Investments (Note 5)	507	375
Total Commercial Fishing Account	71,452	68,512
Total Assets	$ 415,749	$ 426,624
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable - General Account	$ 2,650	$ 2,327
Equity		
Contributed Capital - General Account	128,800	128,800
Retained Earnings - General Account	212,847	226,985
Retained Earnings - Commercial Fishing Account (Note 6)	71,452	68,512
	413,099	424,297
Total Liabilities and Equity	$ 415,749	$ 426,624

APPROVED BY THE BOARD:

Fred Hamaroff ____________________ Chairperson

Mona Cornock ____________________ Secretary

The Cooperative Promotion Board

General Account
Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2007

	2007	2006
Revenue		
Interest	$ 14,871	$ 10,518
Administrative expenses paid for by the Province of Manitoba (Note 2c)	16,000	7,526
Total Revenue	30,871	18,044
Expenditure		
Grants, (Schedule 1)	22,570	16,372
General and administrative		
Annual Report (Note 2c)	740	526
Board members' remuneration	1,113	435
Board members' meals and travel	1,379	28
Membership Fee	734	713
Miscellaneous	174	131
Professional Fees	2,299	1,552
Administrative expenses (Note 2c)	16,000	7,000
	22,439	10,385
Total Expenditure	45,009	26,757
Excess of Expenditure over Revenue	(14,138)	(8,713)
Retained Earnings, beginning of year	226,985	235,698
Retained Earnings, end of year	$ 212,847	$ 226,985

The Cooperative Promotion Board

Commercial Fishing Account

Statement of Revenue and Expenditure and Retained Earnings
for the year ended March 31, 2007

	2007	2006
Revenue		
Interest	$2,808	$1,995
Dividend	132	74
Total Revenue	2,940	2,069
Total Expenditure	-	-
Excess of Revenue over Expenditure	2,940	2,069
Retained Earnings, beginning of year	68,512	66,443
Retained Earnings, end of year	$71,452	$68,512

Notes to the Financial Statements
for the year ended March 31, 2007

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1. Nature and Objectives of the Board

The Cooperative Promotion Board operates under the terms of The Cooperative Promotion Trust Act, which came into force on December 20, 1988. The Board is a continuation of the Board established under The Wheat Board Money Trust Act. The Wheat Board Money Trust Act was repealed when the Cooperative Promotion Trust Act came into force. Agriculture, Food and Rural Initiatives administers the activities of the Board.

General Account

The General Account funds controlled by the Board consist of surplus funds of the original Canadian Wheat Board apportioned to Manitoba by the Government of Canada (recorded as Contributed Capital), assets vested in the Board when the Cooperative Promotion Trust Act came into force and assets acquired by the Board.

The objectives of the Board with regard to the General Account are to assist in the development of cooperative organizations, to promote the general welfare of cooperative organizations and rural residents in Manitoba and to make recommendations to the Minister responsible with respect to cooperative organizations and related legislation.

Commercial Fishing Account

The Commercial Fishing Account consists of funds donated by Northern Cooperative Services Ltd. As a condition of the donation, these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. As of March 31, 2007, no activity has taken place.

2. Accounting Policies

a) These financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Discounts on investments are amortized on a straight-line basis over the life of the investments.

c) The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of these services have been estimated at $16,000 (2006 $7,526). In 2006 the Annual Report costs were recovered from the Province of Manitoba.

3. Cash

General Account

The cash balance for the General Account includes $336,347 (2006 - $352,050) held in a high yield savings account at Buffalo Credit Union at a fixed rate of 4.25% effective October 2, 2006. Interest is paid semi-annually on June 30 and December 31.

Commercial Fishing Account

The cash balance for the Commercial Fishing Account is held in a high yield savings account at Buffalo Credit Union at a fixed rate of 3.90% effective October 1, 2006. Interest is paid semi-annually on June 30 and December 31.

4. **Accounts Receivable, General Account**	**2007**	**2006**
La Caisse Populaire de Saint-Boniface Limitée This surplus share account was closed on February 25, 2004 and the funds are to be returned to the board at a rate of 10% per year until the balance is nil.	$564	$564

5. **Investments, Commercial Fishing Account**	**2007**	**2006**
Buffalo Credit Union - Share at Cost	$507	$375

6. Retained Earnings, Commercial Fishing Account

During 1993 and 1994, Northern Cooperative Services Ltd. donated $41,724 to the Board subject to the condition that these funds are to be used exclusively for the promotion and development of commercial fishing in Manitoba. These funds have earned interest and the balance available at March 31, 2007 is $71,452 (2006 - $68,512)

7. Statement of Cash Flows

A statement of cash flows has not been presented in these financial statements, as no additional information would be provided by its inclusion.

8. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's financial statement presentation.

The Cooperative Promotion Board

Schedule 1

Schedule of Grants
for the year ended March 31, 2007

	2007	2006
Canadian Community Investment Network Coop	$ 2,500	
Co-operative Housing Federation of Canada (Manitoba Office)	600	$ 600
Dr. J.G. Carlberg		2,500
EarthShare Agricultural Cooperative Ltd	3,468	
Eastern Manitoba Artists Co-op In		2,000
Manitoba Cooperative Association Inc	16,000	6,300
MB4Youth Advisory Counc		1,872
Ryan Gibson		3,100
	$ 22,570	$ 16,372

THE COUNCIL ON POST-SECONDARY EDUCATION

Responsibility for Financial Statements

The management of the Council on Post-Secondary Education is responsible for the financial reporting process that produces the financial statements and accompanying notes. The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

The Council is responsible for overseeing management's performance of its financial reporting responsibilities. The statements are examined by the Auditor General of Manitoba, whose opinion is included herein.

In order to fulfill this responsibility, management maintains systems of internal control over the financial reporting process designed to provide assurance that relevant and reliable financial information is produced.

**"Original signed by
Margaret McDonald"**

Margaret McDonald, CGA
Chief Financial Officer

**"Original signed by
Sid Rogers"**

Sid Rogers
Secretary to the Council

July 13, 2007
Winnipeg, Manitoba

Auditors' Report

To the Legislative Assembly of Manitoba, and
To The Council on Post-Secondary Education

We have audited the statement of financial position of The Council on Post-Secondary Education as at March 31, 2007 and the statements of revenues and expenditures and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Council on Post-Secondary Education as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

**"Original signed by
Office of the Auditor General"**

Winnipeg, Manitoba
July 13, 2007

Statement of Financial Position
For the year ended March 31, 2007

	2007	2006
ASSETS		
Current Assets:		
Cash	$ 916,150	$ 407,306
Accounts receivable	339,346	704,899
	1,255,496	1,112,205
Long-term receivable- Province of Manitoba (Note 3)	1,174,692	1,135,486
Capital Assets-net of accumulated amortization (Note 4)	34,838	33,842
Total Assets	$ 2,465,026	$ 2,281,533
LIABILITIES		
Current Liabilities:		
Accounts payable & accrued liabilities	$ 92,213	$ 101,246
Grants payable	927,826	676,866
	1,020,039	778,112
Long-term liabilities:		
Provision for employee severance benefits (Note 5)	107,943	105,106
Provision for employer's share of employees' pension benefits (Note 6)	1,070,551	1,031,345
	1,178,494	1,136,451
Total liabilities	2,198,533	1,914,563
Net Assets		
Investment in Capital Assets	34,838	33,842
Unrestricted Net Assets	231,655	333,128
	266,493	366,970
	$ 2,465,026	$ 2,281,533

Statement of Revenues and Expenses
For the year ended March 31, 2007

	Operating	College Expansion Initiative	2007 Total	2006 Total
Revenues:				
Province of Manitoba Grants:				
Department of Advanced Education and Literacy	$ 417,018,422	$30,146,194	$ 447,164,616	$ 426,437,600
Other	990,514	-	990,514	929,898
Interest income	22,083	-	22,083	20,889
Total Revenues	418,031,019	30,146,194	448,177,213	427,388,387
Expenses:				
Operating grants	369,972,765	-	369,972,765	347,330,235
Support programs	2,336,179	-	2,336,179	2,041,753
College Expansion Initiative grants	-	29,685,933	29,685,933	27,335,286
Post Secondary Strategic grants	1,804,250	-	1,804,250	1,795,000
Equipment & Renovations grants	6,785,992	-	6,785,992	17,123,000
Major Capital grants	12,471,850	-	12,471,850	7,733,129
Access grants	7,167,385	-	7,167,385	6,460,000
Tuition Rebate grants	13,239,288	-	13,239,288	13,163,981
Inter-Provincial Training Agreement	3,553,979	-	3,553,979	3,184,354
Administrative and other, Schedule 1	1,013,532	246,537	1,260,069	1,149,107
Total Expenses	418,345,220	29,932,470	448,277,690	427,315,845
Excess (deficiency) of Revenues over Expenses	$ (314,201)	$ 213,724	$ (100,477)	$ 72,542

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Changes in Net Assets - Post-Secondary Grants Fund
For the year ended March 31, 2007

	Investment in Capital Assets	Unrestricted Net Assets	2007 Total	2006 Total
Balance, Beginning of Year	33,842	333,128	366,970	294,428
Excess (deficiency) of Revenues over Expenses	-	(100,477)	(100,477)	72,542
Purchase of Capital Assets	18,197	(18,197)	-	-
Amortization	(17,201)	17,201	-	-
Balance, End of Year	$34,838	$231,655	$266,493	$366,970

Schedule 1

THE COUNCIL ON POST-SECONDARY EDUCATION

Schedule of Administrative and Other Expenses
For the year ended March 31, 2007

	Operating	College Expansion Initiative	2007 Total	2006 Total
Amortization	$ 15,623	$ 1,578	$ 17,201	$ 22,008
Automobile and traveling	39,750	3,241	42,991	36,040
Computer operating and lease costs	28,980	8,100	37,080	37,265
Course and membership fees	14,711	1,780	16,491	2,857
Furniture and equipment	4,163	276	4,439	3,649
Meetings-Council	7,001	-	7,001	6,447
Miscellaneous grants	4,750	-	4,750	35,291
Office rental	47,054	10,362	57,416	54,481
Postage and telephone	14,187	864	15,051	15,314
Printing and stationery supplies	20,691	230	20,921	16,122
Professional fees	22,662	-	22,662	26,383
Remuneration for Council members	41,023	-	41,023	40,709
Repairs & maintenance	25	-	25	152
Salaries and employee benefits	720,818	217,711	938,529	787,539
Subscriptions and books	3,222	-	3,222	3,827
Sundry	28,872	2,395	31,267	61,023
Total administrative & other expenses	$ 1,013,532	$ 246,537	$ 1,260,069	$ 1,149,107

THE COUNCIL ON POST-SECONDARY EDUCATION

Statement of Cash Flows
For the year ended March 31, 2007

	2007	2006
Cash from Operating Activities:		
Excess (Deficiency) of Revenues over Expenses	$ (100,477)	$ 72,542
Amortization	17,201	22,008
	(83,276)	94,550
Net Change in Non-Cash Working Capital Items:		
(Increase) Decrease in Accounts receivable	365,553	(169,181)
Increase (Decrease) in Accounts payable and accrued liabilities	(9,033)	8,382
Increase in Grants payable	250,960	378,002
	524,204	311,753
Cash Flow Provided by (Used In) Financing Activities:		
Increase in Long-term receivable – Province of Manitoba	(39,206)	12,573
Increase (Decrease) in Provision for employee severance benefits	2,837	(18,042)
Increase in Provision for employer's share of employees' pension benefits	39,206	(12,573)
	2,837	(18,042)
Cash Flows from Investing Activities:		
Purchase of Capital Assets	(18,197)	(5,399)
Increase (Decrease) in Cash for the Year	508,844	288,312
Cash, beginning of year	407,306	118,994
Cash, end of year	$ 916,150	$ 407,306

1. Nature of Operations

The Council on Post-Secondary Education was established by an Act of the Legislature passed in 1997 and is composed of 11 members appointed by the Lieutenant-Governor-in-Council.

The Universities Grants Commission Act was repealed effective April 28, 1997 by the Council on Post-Secondary Education Act.

The Council on Post-Secondary Education Act provided that the University Grants Fund be continued as the Post-Secondary Grants Fund. All assets and liabilities of the Universities Grants Commission were transferred to the Council on Post-Secondary Education.

Primarily, the Council on Post-Secondary Education provides funding to Manitoba's universities and community colleges for approved programs and capital projects from funds received from the Province of Manitoba.

The College Expansion Initiative provides funding to increase enrollment in diploma and certificate programs at Manitoba's community colleges. For financial reporting purposes, Revenue and Expenses for the Initiative have been segregated.

2. Significant Accounting Policies

A. Basis of Accounting

The Council on Post-Secondary Education's annual financial statements are prepared in accordance with Canadian generally accepted accounting principles.

B. Grant Payments

Operating, equipment and renovations, tuition rebate, Access, and strategic initiatives grants reflect payments to Manitoba universities and community colleges for annual operations. These grants are funded on the basis of scheduled payments to meet the operating requirements of the universities and community colleges. Operating grants are also provided to private religious colleges and to the Winnipeg Technical College.

Major capital grants based on shared cost agreements are funded on a reimbursement basis. The university must first incur eligible costs as defined in the terms of the agreement, which the Council then reimburses.

Major capital grants to universities that are discretionary grants are funded when the university has met the eligibility criteria and fulfilled the conditions set out by the Council.

C. Revenue Recognition

Revenue is recognized as funds are drawn from Province of Manitoba appropriations.

D. Vacation and Severance Benefits

Employees of the Council are entitled to vacation and severance benefits in accordance with the terms of the collective agreement. The liability for vacation and severance benefits is recorded based on the Council's best estimates.

E. Employer's Share of Employees' Pension Benefits

Employees of the Council are pensionable under the Civil Service Superannuation Act. The Council accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on an actuarial report.

F. Capital Assets

Capital Assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful life, in accordance with the Province of Manitoba guidelines, as follows:

Furniture	10 years
Leasehold Improvements	10 years
Computer Software	4 years
Machinery and Equipment	10 years
Computer Equipment	4 years

G. Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

H. Financial Instruments

The Council on Post-Secondary Education's financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and grants payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these instruments. The fair value of these financial instruments approximates their carrying values.

3. Long-term Receivable – Province of Manitoba

A portion of the long-term receivable from the Province of Manitoba is for severance benefits accumulated by COPSE employees to March 31, 1998. The opening severance pay liability balance as at April 1, 1998 of $104,141 was completely offset by a long-term receivable from the Province of Manitoba. There are no terms of repayment for this receivable, and the amount will remain fixed at $104,141.

The remaining portion of the long-term receivable from the Province of Manitoba represents the employer's share of employees' pension benefits as at March 31, 2007 of $1,070,551 (2006 - $1,031,345). The Province of Manitoba will pay the employer's share of employees' pension benefits as they become due.

4. Capital Assets, net of Accumulated Amortization

	2007			2006
	Cost	Acc. Amort	Net Book Value	Net Book Value
Furniture	$ 59,089	$ 50,307	$ 8,782	$ 13,392
Leasehold Improvements	25,019	11,647	13,372	5,198
Computer Software	5,590	699	4,891	-
Machinery and Equipment	10,685	8,369	2,316	3,840
Computer Equipment	24,196	18,719	5,477	11,412
	$ 124,579	$ 89,741	$ 34,838	$ 33,842

5. Provision for Employee Severance Benefits

	2007	2006
Balance at beginning of year	$ 105,106	$ 123,148
Experience gain	(167)	(28,548)
Benefits accrued	4,527	3,884
Interest accrued on benefits	6,713	6,622
Benefits Paid	(8,236)	-
Balance at end of year	$ 107,943	$ 105,106

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2000 – 6.75%), 2.5% inflation (2000 – 2.75%), salary rate increases of 3.25% (2000 – 3.5%). The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2007 using a formula provided by the actuary.

6. Provision for Employer's Share of Employees' Pension Benefits

	2007	2006
Balance at beginning of year	$ 1,031,345	$ 1,043,918
Experience gain	-	(88,898)
Benefits accrued	49,475	56,701
Interest accrued on benefits	74,095	68,080
Benefits paid	(84,364)	(48,456)
Balance at end of year	$ 1,070,551	$ 1,031,345

An actuarial valuation of the pension obligations as at December 31, 2004 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2001 – 7.25%), 2.5% inflation (2001 – 2.75%), salary rate increases of 3.25% (2001 – 3.5%) and post retirement indexing at 2/3 of the inflation rate. The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2007 using a formula provided by the actuary.

7. Commitments

The Council on Post-Secondary Education has approved funding as listed below:

	Approved	Expended	Outstanding Commitments
Capital:			
University of Manitoba			
Chiller System – Fort Garry Campus	19,000,000	18,806,000	194,000
Chiller System – Bannatyne Campus	955,000	946,678	8,322
Total	$ 19,955,000	$ 19,752,678	$ 202,322

Future funding commitments were also approved for the following new programs:

System Restructuring Envelope	218,700
Strategic Program Envelope	993,400
Total	$ 1,212,100

8. Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Council on Post-Secondary Education is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Council on Post-Secondary Education enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

9. Economic Dependence

The Council is economically dependent on the Province of Manitoba for its funding.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Responsibility for Financial Statements

The management of the Crown Corporations Council is responsible for the preparation and presentation of the financial statements and accompanying notes. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, reviewed by the Audit Committee of the Board of Directors and approved by the Board of Directors. The statements have been examined by Ernst & Young, LLP, independent external auditors, whose opinion is included herein.

The preparation of the financial information contained in the annual report necessarily involved the use of certain estimates and judgments which have been reached based on careful assessment of data available through the Council's information systems. Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Council. Management maintains an appropriate system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The Audit Committee of the Board of Directors meets periodically with officers of the Council and the Council's auditors. The auditors have free access to this Committee, to discuss the results of their audit work and their observations on the internal financial controls and the quality of financial reporting.

ORIGINAL SIGNED BY	*ORIGINAL SIGNED BY*
President and Chief Executive Officer	Manager, Operation Analysis

AUDITORS' REPORT

To the Members of
Crown Corporations Council

We have audited the balance sheet of **Crown Corporations Council** as at December 31, 2006 and the statement of income and reserve reflecting net investment in capital assets for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ORIGINAL SIGNED BY

Winnipeg, Canada,
March 2, 2007.

Chartered Accountants

BALANCE SHEET

	December 31	
	2006	2005
ASSETS	(thousands of dollars)	
Current:		
Cash	**$ 439**	$ 300
Accounts receivable	**6**	6
	445	306
Capital assets (note 4)	**6**	20
	$ 451	$ 326

LIABILITIES AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	2006	2005
Current:		
Accounts payable and accrued liabilities	**$ 91**	$ 79
Levies received in advance	**109**	52
Due to Manitoba Crown corporations (note 3)	**96**	53
	296	184
Retirement allowances and other benefits payable (notes 2(d) and 5)	**149**	122
	445	306
Reserve reflecting net investment in capital assets	**6**	20
	$ 451	$ 326

Approved by the Board

ORIGINAL SIGNED BY
Chairman

ORIGINAL SIGNED BY
Director

(see accompanying notes)

FINANCIAL STATEMENTS

STATEMENT OF INCOME AND RESERVE REFLECTING NET INVESTMENT IN CAPITAL ASSETS

	Year Ended December 31	
	2006	2005
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	**$ 694**	$ 673
Interest	**12**	6
	706	679
Expenses		
Salaries and benefits (notes 2(d) and 5)	**501**	485
Board remuneration and expenses	**78**	86
Rent	**76**	74
Professional fees	**17**	7
Depreciation	**14**	15
Automobile expense	**8**	8
Industry conferences	**7**	1
Telephone, courier and internet	**7**	7
Office supplies and printing	**6**	7
Equipment rental and maintenance	**3**	1
Insurance and miscellaneous	**1**	1
Travel	**1**	1
Professional development	**1**	1
	720	694
Excess of expenses over income	**$ (14)**	$ (15)
Reserve reflecting net investment in capital assets, beginning of year	**20**	35
Reserve reflecting net investment in capital assets, end of year	**$ 6**	$ 20

(see accompanying notes)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2006

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances and other employee future benefits

The Council provides retirement allowance and pension benefits to its employees.

Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. Actuarial gains and losses are recognized in income immediately.

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. The cost for the year was $23,000 (2005 - $22,000).

In addition, one employee is entitled to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

e) Financial instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, retirement allowances and other benefits payable, and due to Manitoba Crown corporations. It is management's opinion that the Council is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The book value of the Council's financial assets and liabilities approximate their fair value.

f) Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates.

3. Due to Manitoba Crown corporations

These amounts are non-interest bearing and represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31 **2006**	 2005
	(in thousands of dollars)	
Cost		
Office furniture and equipment	**$ 61**	$ 61
Computer equipment	**46**	46
	$107	$107
Accumulated depreciation		
Office furniture and equipment	**$ 60**	$ 58
Computer equipment	**41**	29
	$101	$ 87
Net book value	**$ 6**	$ 20

5. Retirement allowances and enhanced pension benefits

The Council measures its accrued benefit obligation for each of the retirement allowance and enhanced pension benefits as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2004 and the next required valuation is as of December 31, 2007.

FINANCIAL STATEMENTS

(a) Information about the Council's retirement allowance benefit plan is as follows:

	2006 $	2005 $
Accrued benefit obligation		
Balance, beginning of year	**91**	76
Current service cost	**4**	4
Interest cost	**5**	5
Experience loss on triennial adjustment	**0**	6
Accrued benefit obligation, December 31	**100**	91
Unamortized transitional amount, December 31	**(15)**	(20)
Accrued retirement allowance, December 31	**85**	71

The Council's retirement allowance expense consists of the following:

	2006 $	2005 $
Current service costs	**4**	4
Interest cost	**5**	5
Experience loss on triennial adjustment	**0**	6
Amortization of transitional amount	**5**	6
Total retirement allowance expense	**14**	21

The significant actuarial assumptions adopted in measuring the Council's retirement allowance obligation are as follows:

	2006 %	2005 %
Benefit costs for the year ended December 31		
Discount rate	**6.50**	6.50
Rate of compensation increase	**4.00**	4.00

(b) Information about the Council's enhanced pension benefit plan is as follows:

	2006 $	2005 $
Accrued benefit obligation and accrued pension liability		
Balance, beginning of year	**51**	53
Current service cost	**9**	7
Interest cost	**4**	3
Experience gain on triennial adjustment	0	(12)
Accrued benefit obligation and accrued pension liability, December 31	**64**	51

The Council's enhanced pension expense (income) consists of the following:

	2006 $	2005 $
Current service costs	**9**	7
Interest cost	**4**	3
Experience gain on triennial adjustment	**0**	(12)
Employee contributions	**(2)**	(3)
Total enhanced pension expense (income)	**11**	(5)

The significant actuarial assumptions adopted in measuring the Council's pension obligation are as follows:

	2006 %	2005 %
Benefit costs for the year ended December 31		
Discount rate	**6.50**	6.50
Rate of compensation increase	**4.00**	4.00

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2010 to annual basic rental payments of $35,379 and annual common area and operating costs of approximately $34,200.

The lease payments excluding annual common area and operating costs are as follows:

Year	Base Rent
2007	$35,379
2008	$35,379
2009	$35,379
2010	$11,793
	$117,930

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.

AUDITORS' REPORT

To the Member of
Diagnostic Services of Manitoba Inc.

We have audited the statement of financial position of **Diagnostic Services of Manitoba Inc.** as at March 31, 2007 and the statements of operations, net assets (deficiency) and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 25, 2007.

Chartered Accountants

Diagnostic Services of Manitoba Inc.
Incorporated under the laws of Manitoba

STATEMENT OF FINANCIAL POSITION

[dollar amounts in thousands]

As at March 31

	2007 $	2006 $
ASSETS		
Current		
Cash	**1,572**	—
Accounts receivable *[note 3]*	**7,539**	1,364
Prepaids	**20**	16
Vacation pay recoverable from		
Manitoba Health	**21**	21
Regional Health Authorities of Manitoba	**3,441**	1,153
Total current assets	**12,593**	2,554
Capital assets *[note 4]*	**13,258**	2,125
Pre-retirement benefits recoverable *[note 5]*	**6,399**	1,900
	32,250	6,579
LIABILITIES AND NET ASSETS (DEFICIENCY)		
Current		
Accounts payable and accrued liabilities *[note 6]*	**12,298**	2,277
Accrued vacation pay	**3,607**	1,264
Total current liabilities	**15,905**	3,541
Accrued pre-retirement benefits *[note 10[b]]*	**6,491**	1,916
Deferred contributions *[note 7]*	**9,015**	1,716
Total liabilities	**31,411**	7,173
Commitments *[note 8]*		
Net assets (deficiency)		
Unrestricted	**839**	(594)
Total net assets (deficiency)	**839**	(594)
	32,250	6,579

See accompanying notes

On behalf of the Board:

Director

Director

Diagnostic Services of Manitoba Inc.

STATEMENT OF OPERATIONS

[dollar amounts in thousands]

Year ended March 31

	2007 $	2006 $
REVENUE		
Manitoba Health operating income	**3,943**	1,216
Manitoba Health operating income for prior periods	**—**	988
Investment Income	**12**	—
Recoveries from Regional Health Authorities of Manitoba	**33,393**	7,694
Recognition of deferred contributions *[note 7]*		
Capital - amortization	**565**	22
Expenses	**114**	—
	38,027	9,920
EXPENSES		
Direct operating *[note 9]*	**36,029**	9,504
Amortization of capital assets	**565**	13
	36,594	9,517
Excess revenue over expenses for the year	**1,433**	403

See accompanying notes

STATEMENT OF NET ASSETS (DEFICIENCY)

[dollar amounts in thousands]

Year ended March 31

	2007			2006
	Investment in capital assets $	**Unrestricted** $	**Total** $	**Total** $
	[note 11]			
Deficiency, beginning of year	—	**(594)**	**(594)**	(997)
Excess revenue over expenses for the year	—	**1,433**	**1,433**	403
Net assets (deficiency), end of year	—	**839**	**839**	(594)

See accompanying notes

Diagnostic Services of Manitoba Inc.

STATEMENT OF CASH FLOWS

[dollar amounts in thousands]

Year ended March 31

	2007 $	2006 $
OPERATING ACTIVITIES		
Excess revenue over expenses for the year	**1,433**	403
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	**565**	13
Amortization of deferred contributions related to capital assets	**(565)**	(22)
Recognition of deferred contributions related to expenses	**(114)**	—
	1,319	394
Net change in non-cash working capital balances related to operations	**(700)**	178
Deferred contributions received – future expenses	**319**	121
Cash provided by operating activities	**938**	693
INVESTING ACTIVITIES		
Accounts payable related to capital assets	**4,673**	445
Acquisition of capital assets	**(8,522)**	(1,443)
Cash used in investing activities	**(3,849)**	(998)
FINANCING ACTIVITIES		
Decrease in bank indebtedness	**—**	(1,312)
Deferred contributions received – capital assets	**4,483**	1,617
Cash provided by financing activities	**4,483**	305
Net increase in cash during the year	**1,572**	—
Cash, beginning of year	**—**	—
Cash, end of year	**1,572**	—

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

[dollar amounts in thousands]

March 31, 2007

1. NATURE OF BUSINESS

Diagnostic Services of Manitoba Inc. ["DSM"] is a not-for-profit organization incorporated under the laws of Manitoba on the 20th of December 2002. The Minister of Health is the sole member of the corporation. DSM was created with the intention of providing lab services throughout the province of Manitoba, and imaging services within the rural environment. Currently the organization is in a period of transition which will culminate in the transfer of all staff and assets with respect to the operations described above to DSM.

Effective April 1, 2005, agreements were signed with 11 Regional Health authorities of Manitoba ["RHAs"] and 7 non-devolved facilities ["Facilities"]. This agreement addressed the transfer of non-union staff, management, scientists, and physicians to DSM.

Effective April 1, 2006, DSM entered into an agreement with the Winnipeg Regional Health Authority (WRHA) and 7 non-devolved facilities to transfer to DSM all unionized staff, existing lab assets and contracts of the facilities and outline the provision of services between the signators. Pursuant to the agreement, employees, contracts and assets have been transferred and costs specified in the agreement recovered from the RHAs or Facilities.

DSM is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

[a] Basis for accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

[b] Revenue recognition

DSM follows the deferral method of accounting for contributions. Unrestricted contributions are recorded as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions until that time. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

[c] Capital assets

Purchased capital assets are recorded at cost. Capital assets are amortized on a straight-line basis using an annual rate of:

Computer hardware/software	20%
Furniture and equipment	10%

[d] Pre-retirement benefits

The costs of pre-retirement benefits earned by employees are charged to expense as services are rendered. The costs are actuarially determined using the projected benefit method and reflects management's best estimate of the length of service, salary increases and ages at which employees will retire.

[e] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

[f] Financial instruments

Financial instruments include accounts receivable, vacation pay and pre-retirement benefits recoverable from Manitoba Health and the RHAs, accounts payable and accrued liabilities, and accrued vacation pay. The fair market value of these financial instruments approximates fair market value. It is management's opinion that DSM is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. ACCOUNTS RECEIVABLE

	2007 $	2006 $
Due from Manitoba Health	**216**	65
Due from RHAs	**7,097**	1,283
Other	**226**	16
	7,539	1,364

NOTES TO FINANCIAL STATEMENTS

[dollar amounts in thousands]

March 31, 2007

4. CAPITAL ASSETS

	2007			2006		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Computer hardware/ software	**95**	**27**	**68**	59	15	44
System software in-progress	**9,913**	**—**	**9,913**	2,034	—	2,034
Furniture and equipment	**3,837**	**560**	**3,277**	54	7	47
	13,845	**587**	**13,258**	2,147	22	2,125

System software-in-progress will not be amortized until such time as it becomes available for use.

During the year, $3,176 of capital assets were transferred to DSM from the RHAs pursuant to the agreement dated April 1, 2006. The capital assets were recorded at an amount equal to the contributing RHAs carrying amount [net book value] of the transferred assets given the RHAs are considered related parties. The assets were transferred for $Nil cash consideration and the offsetting credit was recorded in deferred contributions *[note 7]*.

5. PRE-RETIREMENT BENEFITS RECOVERABLE

	2007 $	2006 $
Pre-retirement benefits recoverable from		
Manitoba Health	**108**	108
RHAs	**6,291**	1,792
	6,399	1,900

Pre-retirement benefits recoverable from Manitoba Health are non-interest bearing. Payment of this receivable as required as benefits are provided is guaranteed by the Province of Manitoba.

Pre-retirement benefits recoverable from the RHAs are non-interest bearing and will be repaid as benefits are provided.

NOTES TO FINANCIAL STATEMENTS

[dollar amounts in thousands]

March 31, 2007

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007 $	2006 $
Accounts payable and accrued liabilities	**7,378**	573
Due to Manitoba Health	**103**	16
Due to Winnipeg Regional Health Authority	**4,817**	1,688
	12,298	2,277

7. DEFERRED CONTRIBUTIONS

	2007 $	2006 $
Deferred contributions		
Expenses	**326**	121
Capital	**8,689**	1,595
	9,015	1,716

[a] Deferred contributions, expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for DSM's operating expenses. The deferred contributions for these expenses are recognized as revenue in the statement of operations at the time the related operating expenses are incurred.

	2007 $	2006 $
Deferred contributions, future expenses		
Balance, beginning of year	**121**	—
Deferred contributions received	**319**	121
Recognized in revenue	**(114)**	—
Balance, end of year	**326**	121

NOTES TO FINANCIAL STATEMENTS

[dollar amounts in thousands]

March 31, 2007

[b] Deferred contributions, capital

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007 $	2006 $
Balance, beginning of year	**1,595**	—
Debt assumed by the Province of Manitoba	**3,982**	704
Deferred contributions received	**501**	913
Deferred contributions transferred *[note 4]*	**3,176**	—
Amounts amortized to revenue	**(565)**	(22)
Balance, end of year	**8,689**	1,595

Debt that has been incorporated in deferred contributions includes $3,982 of a committed term facility that is now held by the Province of Manitoba. This facility is available by way of prime based loans, bearing interest at prime minus 1.25%.

8. COMMITMENTS

Future aggregate minimum lease payments under the terms of the operating lease agreements for office facilities are as follows:

	$
2008	52
2009	26
	78

In addition, pursuant to the agreement dated April 1, 2006, DSM entered into leases with the RHAs for premises totalling $2,001 per year. These leases have no expiry dates.

9. DIRECT OPERATING EXPENSES

	2007 $	2006 $
Salaries and benefits	**32,775**	8,921
Communications	**1**	1
Equipment	**247**	24
External consulting	**184**	166
Insurance	**46**	26
Lab and diagnostic supplies	**10**	—
Legal and audit	**82**	90
Meetings	**21**	18
Miscellaneous	**7**	1
Printer, paper and office supplies	**34**	20
Recruitment	**220**	62
Rent	**2,107**	81
Staff training and development	**209**	30
Telephone	**9**	12
Travel	**77**	52
	36,029	9,504

10. EMPLOYEE FUTURE BENEFITS

[a] Pension plan

Substantially all full-time and part-time employees of DSM are members of the Healthcare Employees Pension Plan ["HEPP"] or the Civil Service Superannuation Plan ["CSSP"]

HEPP is a multi-employer defined benefit pension plan. DSM accounts for pension contributions to this plan using defined contribution accounting as DSM does not have sufficient information to apply defined benefit plan accounting. Employer contributions made to the plan during the year by DSM and expensed amounted to $1,452 [2006 - $321]. The most recent actuarial value of the plan as at January 1, 2007 indicates the plan is fully funded.

DSM is considered a "non-matching employer" in the CSSP under the Civil Service Superannuation Act. Employers with this status are not required to make contributions towards the pension benefits.

[b] Accrued pre-retirement benefits

DSM has a commitment to provide pre-retirement leave benefits for employees that meet certain eligibility criteria. If eligibility criteria are met, pre-retirement leave of four days per year of service are earned and paid out in a lump sum at retirement or at any time due to permanent disability. The earned amounts, at the option of the employee, may also be taken as a continuation of salary, bridging their leave date to their retirement date.

DSM measures its accrued obligation for the pre-retirement benefits as at March 31 of each year. The most recent actuarial valuation report was at March 31, 2007.

During the year, DSM transferred employees from the RHAs pursuant to the agreement dated April 1, 2006. The pre-retirement liability of $4,626 for transferred employees was recorded in the period with an offsetting receivable from the RHAs.

During the current year, the pre-retirement obligation incurred (recovered) amounted to $(51) [2006 - $75] and has been recorded as an expense (recovery) of the period [included in salaries and benefits].

The significant actuarial assumptions adopted in measuring DSM's pre-retirement benefit obligation are as follows:

	2007 %	2006 %
For the year ended March 31		
Discount rate	**4.85**	5.00
Rate of base compensation increase	**3.00**	3.00

11. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

	2007 $	2006 $
Capital assets, net of amortization	**13,258**	2,125
Financed by		
Accounts payable	**(4,569)**	(530)
Deferred contributions	**(8,689)**	(1,595)
	—	—

NOTES TO FINANCIAL STATEMENTS

[dollar amounts in thousands]

March 31, 2007

12. RELATED PARTY TRANSACTIONS

DSM had transactions and balances with the following related parties during the year:

Entity	Relationship
Manitoba Health	Controlling entity
RHAs	Entities under common control

Related party transactions are recorded at the exchange amount and are in the normal course of operations. In addition to those disclosed elsewhere in these financial statements, DSM had the following transactions with Manitoba Health and the RHAs:

	2007 $	2006 $
Salaries and benefits	**30,624**	7,596
Equipment	**211**	4
External consulting	**78**	14
Insurance	**31**	—
Lab and diagnostic supplies	**10**	—
Legal and audit	**2**	—
Printing, paper and office supplies	**8**	2
Recruitment	**161**	60
Rent	**2,002**	—
Staff training and development	**164**	1
Telephone	**1**	—
Travel	**43**	29

13. ECONOMIC DEPENDENCE

During the year, DSM received all of its revenue from Manitoba Health directly or indirectly through the RHAs and is economically dependant on Manitoba Health for continued operations.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Members of the Economic Innovation and Technology Council

We have audited the balance sheet of the Economic Innovation and Technology Council as at March 31, 2007 and the statements of revenue, expenditure and funds retained, project revenue and expenditures and the statement of cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 10, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Economic Innovation and Technology Council

Exhibit A

Balance Sheet

As at March 31

	2007	2006
Assets		
Current		
Petty cash	$	$ 400
Funds on deposit		
Minister of Finance		
Cash	11,110	32,783
Accounts receivable		
Province of Manitoba	4,109	3,376
Other	37,429	7,705
Prepaid expenses	893	7,289
	53,541	51,553
Investment in Manitoba Technology Centre Ltd. (Note 3)	1	1
	$ 53,542	$ 51,554
Liabilities		
Current		
Accounts payable and accrued liabilities		
Province of Manitoba	$ 13,535	$ 9,375
Other	4,908	
Unearned project receipts	12,501	10,379
	30,944	19,754
Equity		
Funds retained (Exhibit B)	22,598	31,800
	$ 53,542	$ 51,554

Economic Innovation and Technology Council

Exhibit B

Statements of Revenue, Expenditure and Funds Retained

Year Ended March 31	2007	2006
Revenue		
Government of Canada, program grant	$ 85,838	$ 46,213
Sundry		6,716
	85,838	52,929
Expenditure		
Operating expenses (Schedule 1)	95,040	130,095
Deficiency of revenue over expenditure	$ 9,202	$ 77,166

Funds retained, beginning of year	$ 31,800	$ 108,966
Deficiency of revenue over expenditure	9,202	77,166
Funds retained, end of year (Exhibit A)	$ 22,598	$ 31,800

Economic Innovation and Technology Council

Exhibit C

Statement of Project Revenue and Expenditures

Year Ended March 31	2007	2006
Receipts (by Program/Project)		
Life Science Initiatives		
Contribution from Province of Manitoba (Note 4)	$ 7,500	$ 42,859
Program sponsors	570	3,421
Knowledge Based Initiatives		
Contribution from Province of Manitoba	85,950	
Program sponsors	5,500	
Energy and Climate Change Initiatives		
Contribution from Government of Canada	20,092	35,000
Contribution from Province of Manitoba (Note 4)	239,771	201,056
Program sponsors	24,632	90,562
Science and Technology Initiatives		
Contribution from Province of Manitoba (Note 4)	72,413	32,625
Targeted Geoscience Initiatives		
Contribution from Government of Canada	9,809	83,304
	466,237	488,827
Expenditure (by Program/Project)		
Life Science Initiatives	8,070	46,280
Knowledge Based Initiatives	91,450	
Energy and Climate Change Initiatives	284,495	326,618
Science and Technology Initiatives	72,413	32,625
Targeted Geoscience Initiatives	9,809	83,304
	466,237	488,827
Excess of revenue over expenditures retained	$ -	$ -

Economic Innovation and Technology Council

Exhibit D

Statement of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash and funds on deposit		
Operating		
Deficiency of Council operations revenue over expenditure (Exhibit B)	$ (9,202)	$ (77,166)
Net changes in non-cash working capital balances		
Accounts receivable	(30,457)	114,185
Prepaid expenses	6,396	(6,521)
Accounts payable and accrued liabilities	9,068	(3,282)
Unearned project revenues	2,122	(177,286)
Net decrease in cash	(22,073)	(150,070)
Cash and funds on deposit, beginning of year	33,183	183,253
Cash and funds on deposit, end of year	$ 11,110	$ 33,183
Represented by:		
Cash	$	$ 400
Funds on deposit		
Minister of Finance		
Cash	11,110	32,783
	$ 11,110	$ 33,183

1. Establishment of the Council and nature of operations

The Economic Innovation and Technology Council (EITC) was established by the Economic Innovation and Technology Council Act on September 1, 1992. Pursuant to the Act, the purpose of EITC is to foster economic development and to support economic restructuring and commercialization in technology so as to enable Manitoba to compete effectively in a global market economy. EITC's mission statement is "to promote and enhance a climate of innovation, entrepreneurship, and technological development that spurs responsible economic development for the benefit of Manitobans".

EITC is economically dependent upon the Province of Manitoba.

2. Significant accounting policies

a) Basis of reporting

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Cash and funds on deposit

Cash and funds on deposit include cash on hand, balances with the Minister of Finance and short-term deposits with original maturities of three months or less.

c) Use of estimates

In preparing the Council's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

d) Revenue recognition

Revenue is recognized as program expenditures are incurred.

3. Investment in Manitoba Technology Centre Ltd.

Effective June 1, 1996, EITC discontinued its role in the operations of the Environmental Sciences Centre (ESC). Prior to June 1, 1996, the financial activities of ESC were reflected in the financial statements of EITC. On June 1, 1996, EITC entered into a public/private partnership with Enviro-Test Laboratories, a division of ETL Chemspec Analytical Limited (ETL). A new corporation, Manitoba Technology Centre Ltd. (MTC), was incorporated and certain assets of EITC, namely the assets of ESC, were transferred to MTC pursuant to an Asset Purchase Agreement in exchange for 25 Class A Common Shares with a paid-up capital value of $25, 1,500,000 Class A Special Preferred Shares with a redemption and paid-up capital value of $875,000, and 1 Class B Special Preferred Share with a paid-up capital value of $1. Subsequent to the Asset Purchase Agreement, MTC issued 75 Class A Common Shares with a paid-up capital value of $75 to ETL. A Unanimous Shareholders Agreement between EITC and ETL sets out the rights and obligations in respect of the shares of MTC. The regular operations and management of MTC are the responsibility of ETL.

Class A Special Preferred Shares

Each Class A Special Preferred Share was non-voting, redeemable and retractable on a semi-annual basis, with one share cancelled for each dollar contributed or invested by ETL in equipment, facilities, management and marketing. The redemption amount of the shares was equal to the agreed value of ESC's contributed assets of $875,000 divided by 1,500,000 or $.5833 per share. As part of the Unanimous Shareholders Agreement, ETL was committed to contributing $1,500,000 over the first three years of the agreement.

All Class A Special Preferred Shares were redeemed prior to May 31, 2002.

Class B Special Preferred Share

The Class B Special Preferred Share is non-voting, retractable and redeemable at $1.00 per share.

Effective May 31, 2002, EITC has the option of retaining ownership of the Class 3 Special Preferred Share as long as it may wish and be entitled for so long as it holds this share to nominate one director to the Board of Directors provided that:

1. EITC no longer holds any common shares;
2. MTC continues to occupy premises owned by the Province of Manitoba; and
3. MTC has material contracts with the Province of Manitoba.

Common Shares

On May 31, 1999, MTC redeemed EITC's 25 common shares with a paid up capital value of $25 for $434,200.

A gain of $434,175 resulting from this redemption was recorded.

4. Related party transactions

EITC is related in terms of common ownership to all departments, agencies and Crown corporations created by the Province of Manitoba. EITC enters into transactions with these entities in the normal course of business.

5. Pension plan

In accordance with the provisions of The Civil Service Superannuation Act, employees of EITC are required to contribute to the Civil Service Superannuation Fund at prescribed rates for defined benefits. EITC is required to make contributions equal to the amounts contributed to the Fund by employees. Under this Act, EITC has no further pension liability.

6. Financial instruments

The Council's financial instruments consist of cash, funds on deposit, accounts receivable, investment in Manitoba Technology Centre, accounts payable and accrued liabilities and unearned project receipts. It is management's opinion that the Council is not exposed to significant credit or interest rate risk. The fair value of these financial instruments approximates their carrying values.

Economic Innovation and Technology Council

Schedule 1

Schedule of Expenses

Year Ended March 31	2007	2006
Advertising and promotion	$	$ 15,000
National Research Council - Industrial Research Assistance Program	85,838	46,217
Council activities	4,000	24,700
Printing and stationery	200	160
Professional fees	5,520	5,350
Purchased services		14,172
Rental and property tax	36	4,496
Travel	(554)	20,000
	$ 95,040	$ 130,095

E X G

THE EXCHANGE

chartered accountants LLP

AUDITORS' REPORT

To the Directors of First Nations of Northern Manitoba Child and Family Services Authority

We have audited the statement of financial position of First Nations of Northern Manitoba Child and Family Services Authority as at March 31, 2007 and the statements of net assets, revenue and expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The Exchange

chartered accountants LLP

Winnipeg, Manitoba
June 4, 2007

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Financial Position

March 31, 2007

		2007		2006
ASSETS				
CURRENT				
Cash	**$**	**1,157,356**	$	863,213
Accounts receivable		**1,086,883**		526,978
Prepaid expenses		**15,347**		9,488
		2,259,586		1,399,679
EQUIPMENT *(Note 2, 3)*		**48,722**		37,757
	$	**2,308,308**	$	1,437,436
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities	**$**	**1,152,526**	$	468,176
NET ASSETS				
Unrestricted		**35,247**		42,865
Internally restricted *(Note 4)*		**470,565**		285,248
Externally restricted *(Note 5)*		**601,248**		603,390
Invested in equipment		**48,722**		37,757
		1,155,782		969,260
	$	**2,308,308**	$	1,437,436

ON BEHALF OF THE BOARD

_______________________________ *Director*

_______________________________ *Director*

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Net Assets

Year Ended March 31, 2007

	Unrestricted	Internally Restricted	Externally Restricted	Invested in Equipment	2007	2006
NET ASSETS - BEGINNING OF YEAR	**$ 42,865**	**$ 285,248**	**$ 603,390**	**$ 37,757**	**$ 969,260**	$ 938,028
Excess of revenue over expenses	**208,610**	**-**	**-**	**(22,088)**	**186,522**	31,232
Interfund transfers	**(183,175)**	**185,317**	**(2,142)**	**-**	**-**	-
Purchase of assets	**(33,053)**	**-**	**-**	**33,053**	**-**	-
NET ASSETS - END OF YEAR	**$ 35,247**	**$ 470,565**	**$ 601,248**	**$ 48,722**	**$ 1,155,782**	$ 969,260

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Revenue and Expenses

Year Ended March 31, 2007

	2007	2006
REVENUE		
Province of Manitoba - Authority Funding	**$ 9,612,433**	$ 6,562,535
Interest	**50,010**	18,385
	9,662,443	6,580,920
EXPENSES		
Annual General Meeting	**8,907**	4,558
Audit	**3,605**	3,030
Bank and service fees	**507**	432
Board expenses	**1,374**	833
Board honorarium	**1,200**	-
Communications	**8,620**	8,335
Insurance	**12,408**	8,794
Memberships and subscriptions	**2,211**	3,725
Miscellaneous	**20,580**	2,435
Office supplies	**5,898**	4,669
Payments to agencies	**8,505,456**	5,634,053
Payments to authorities	**113,850**	148,300
Payroll processing	**1,186**	1,085
Postage and courier	**974**	880
Printing and stationery	**2,237**	1,082
Professional fees	**84,833**	-
Rent	**35,756**	34,454
Salaries and benefits	**512,992**	507,362
Staff development	**3,108**	3,647
Strategic planning	**15,671**	-
Transition	**2,142**	67,976
Travel	**110,318**	89,820
	9,453,833	6,525,470
EXCESS OF REVENUE OVER EXPENSES BEFORE OTHER EXPENSES	**208,610**	55,450
OTHER EXPENSES		
Amortization	**(22,088)**	(24,218)
EXCESS OF REVENUE OVER EXPENSES	**$ 186,522**	$ 31,232

FIRST NATIONS OF NORTHERN MANITOBA CHILD AND FAMILY SERVICES AUTHORITY

Statement of Cash Flows

Year Ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Excess of revenue over expenses	**$ 186,522**	$ 31,232
Item not affecting cash:		
Amortization	**22,088**	24,218
	208,610	55,450
Changes in non-cash working capital:		
Accounts receivable	**(559,905)**	(442,717)
Prepaid expenses and deposits	**(5,859)**	(776)
Accounts payable and accrued liabilities	**684,350**	222,211
	118,586	(221,282)
Cash flow from (used by) operating activities	**327,196**	(165,832)
INVESTING ACTIVITY		
Purchase of equipment	**(33,053)**	(7,756)
Cash flow used by investing activity	**(33,053)**	(7,756)
INCREASE (DECREASE) IN CASH FLOW	**294,143**	(173,588)
CASH - BEGINNING OF YEAR	**863,213**	1,036,801
CASH - END OF YEAR	**$ 1,157,356**	$ 863,213
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest received	**$ 50,010**	$ 18,385

1. DESCRIPTION OF OPERATIONS

The First Nations of Northern Manitoba Child and Family Services Authority (Northern Authority) has been incorporated under the Child and Family Services Authority Act, which was proclaimed by the Province of Manitoba on November 24, 2003.

The mandate of the Northern Authority is to administer and provide for the delivery of child and family services in Manitoba to people who are members of the northern First Nation, people who identify with those northern First Nations and others as determined in accordance with protocols established in the regulations which form part of the Child and Family Services Authority Act. The Northern Authority is exempt from income taxes under Section 149(1)(l) of the Income Tax Act.

On June 10, 2002 legislation to create the First Nations of Northern Manitoba Child and Family Services Authority was introduced in the Legislative Assembly. Royal Assent was received on August 9, 2002. The Child and Family Services Authorities Act came into force upon proclamation. Proclamation occurred on November 30, 2003. All assets and liabilities of 4601149 Manitoba Association Inc. as of November 30, 2003 were transferred to the First Nations of Northern Manitoba Child and Family Services Authority on December 1, 2003.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within the reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Equipment

Equipment is initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

Computer equipment	3 years
Computer software	5 years
Equipment	5 years
Furniture and fixtures	5 years

In the year of acquisition, amortization is taken at one-half of the above rates.

Revenue recognition

Authority funding from the Province of Manitoba is recognized when earned.

3. EQUIPMENT

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Computer equipment	$ 52,099	$ 42,407	**$ 9,692**	$ 8,458
Computer software	10,214	4,631	**5,583**	4,315
Equipment	49,619	23,539	**26,080**	9,042
Furniture and fixtures	19,764	12,397	**7,367**	15,942
	$ 131,696	$ 82,974	**$ 48,722**	$ 37,757

During the year ended March 31, the Authority incurred the following capital expenditures:

	2007	2006
Computer equipment	**$ 9,751**	$ 3,134
Computer software	**3,008**	3,592
Furniture	**18,223**	540
Equipment	**2,071**	490
	$ 33,053	$ 7,756

4. INTERNALLY RESTRICTED ASSETS

The Board approved the following internal restrictions:

	2007	2006
Legal Counsel	**$ 88,000**	$ 88,500
Education and Training	**94,152**	137,800
Copier Replacement	**6,722**	4,174
Furniture / Equipment Replacement	**6,722**	4,174
Transitional Expenses to Northern Location	**50,600**	50,600
Winnipeg projects	**24,369**	-
Communication strategy	**100,000**	-
Research and development	**100,000**	-
	$ 470,565	$ 285,248

5. EXTERNALLY RESTRICTED NET ASSETS

Externally restricted net assets represents the unspent portion of Transition Grant Funding received from the Province of Manitoba. The grant is to be used for the Aboriginal Justice Inquiry - Child Welfare Initiative one-time transition activities connected to the establishment of the Northern Authority and to assist Family Service Agencies in extending their operations and have the ability to accept the scheduled transfer of cases.

6. PUBLIC SECTOR COMPENSATION DISCLOSURE ACT

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of aggregate compensation paid to employees, officers and directors in an amount exceeding $50,000. For the year ended March 31, 2007, the following officers, directors or employees received compensation at reportable levels:

		2007 Salary Range
Rose McKay	Chief Executive Officer	$84,011 to $93,965
Kaye Dunlop	Legal Counsel	$70,000 to $70,000
Cheryl Freeman	Chief Financial Officer	$60,463 to $82,449
Sherry Gott	Senior Manager	$51,847 to $60,285

7. ECONOMIC DEPENDENCE

First Nations of Northern Manitoba Child and Family Services Authority is solely dependent on the Province of Manitoba for revenue to fund its operations.

8. FINANCIAL INSTRUMENTS

The Authority's financial instruments consist of cash, accounts receivable and accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

9. COMPARATIVE FIGURES

The prior year comparative figures have been reclassified to conform to the current year's presentation.

To the Board of Directors of First Nations of Southern Manitoba Child and Family Services Authority:

We have audited the statement of financial position of First Nations of Southern Manitoba Child and Family Services Authority as at March 31, 2007 and the statement of revenues and expenses for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants

Winnipeg, Manitoba

July 26, 2007

First Nations of Southern Manitoba Child and Family Services Authority

Statement of Financial Position

As at March 31, 2007

	Operating Fund	Capital Fund	Repatriation Fund	**Total 2007**	Total 2006
Assets					
Current					
Cash and short-term deposits *(Note 3)*	1,067,556	-	-	**1,067,556**	521,696
Accounts receivable	2,075,830	-	-	**2,075,830**	1,940,968
Prepaid expenses and deposits	3,978	-	-	**3,978**	3,978
	3,147,364	-	-	**3,147,364**	2,466,642
Capital Assets *(Note 4)*	-	366,348	-	**366,348**	218,941
Due from Animikii-Ozoson CFS *(Note 5)*	406,890	-	-	**406,890**	406,890
Due from ANCR *(Note 5)*	538,400	-	-	**538,400**	-
Due from DOCFS *(Note 5)*	393,510	-	-	**393,510**	-
Interfund advances	-	-	241,240	**241,240**	340,953
	4,486,164	366,348	241,240	**5,093,752**	3,432,976
Liabilities					
Current					
Accounts payable and accruals	1,330,302	-	-	**1,330,302**	870,143
Deferred revenue *(Note 6)*	1,326,881	-	-	**1,326,881**	1,125,833
	2,657,183	-	-	**2,657,183**	1,995,976
Deferred revenue *(Note 6)*	80,916	-	-	**80,916**	80,916
Due to Province of Manitoba *(Note 5)*	1,338,800	-	-	**1,338,800**	406,890
Interfund advances	241,240	-	-	**241,240**	340,953
	4,318,139	-	-	**4,318,139**	2,824,735
Net Assets					
Unrestricted	168,025	-	-	**168,025**	50,992
Invested in Capital Assets	-	366,348	-	**366,348**	218,491
Restricted	-	-	241,240	**241,240**	338,758
	168,025	366,348	241,240	**775,613**	608,241
	4,486,164	366,348	241,240	**5,093,752**	3,432,976

Approved on behalf of the board

Director

Director

First Nations of Southern Manitoba Child and Family Services Authority

Statement of Revenues and Expenses

For the year ended March 31, 2007

	Revenues	Other Revenues	Expenses	**2007 Excess (Deficiency) of Revenues over Expenses**	2006 Excess (Deficiency) of Revenues over Expenses
Operating Fund *(Schedule 1)*	21,928,944	116,453	(21,702,911)	**342,486**	(68,085)
Capital Fund *(Schedule 2)*	-	-	(92,500)	**(92,500)**	(63,745)
Repatriation Program *(Schedule 3)*	-		(82,614)	**(82,614)**	5,995
Repatriation: Aboriginal Healing Foundation *(Schedule 4)*	-	-		**-**	12,548
	21,928,944	116,453	(21,878,025)	**167,372**	(113,287)

1. Incorporation and operations

The Authority was incorporated on November 24, 2003 under the Province of Manitoba through The Child and Family Services Authority Act, S.M. 2002, c. 35 except section 20; the Act came into force by proclamation on November 24, 2003.

Operations

The Authority was established as a non-profit organization with the responsibility for administering and providing for the delivery of a system of child and family services to Southern First Nations people who are members of the Southern First Nations and other persons who are identified with those Southern First Nations. In partnership with the Province of Manitoba, the Authority is committed to establishing a jointly coordinated child and family services system that recognizes the distinct rights and authorities of First Nations and Métis people in Manitoba.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Capital assets

Capital assets are recorded at cost. Amortization is provided using the declining balance method at rates intended to amortize the cost of assets over their estimated useful lives.

	Rate
Computer equipment	30 %
Furniture and fixtures	20 %

In the year of acquisition, amortization is taken at one-half of the above rates.

Revenue recognition

The Authority follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of Capital Assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Fund accounting

In order to ensure observance of limitations and restrictions placed on the use of resources available to the Authority, the accounts are maintained on a fund accounting basis. Accordingly, resources are classified for accounting and reporting purposes into funds. These funds are held in accordance with the objectives specified by the contributors or in accordance with the directives issued by the Board of Directors.

Four funds are maintained; Operating Fund, Capital Fund, Repatriation Fund and Repatriation: Aboriginal Healing Foundation Fund.

The Operating Fund is used to account for all revenue and expenses related to general and ancillary operations of the Authority.

The Capital Fund is used to account for all capital assets of the Authority and to present the flow of funds related to their acquisition and disposal, unexpended capital resources and debt commitments.

The Repatriation Fund and Repatriation: Aboriginal Healing Foundation Fund are restricted funds used to account for monies for their specific purposes.

Long-lived assets

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in earnings for the year.

Recent accounting pronouncements

Financial instruments

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. The Authority expects to apply these new recommendations for its financial statements dated March 31, 2008. Transitional provisions are complex and vary based on the type of financial instruments under consideration. Therefore, the Authority has not yet determined the effect of these new standards on its financial statements.

3. Cash and short-term deposits

Included in cash and short-term deposits is a $250,000 guaranteed investment certificate bearing interest at 3.75% due February 2008.

4. Capital assets

	Cost	*Accumulated amortization*	*2007 Net Book Value*	*2006* Net book value
Computer equipment	**447,726**	**214,174**	**233,552**	188,713
Furniture and fixtures	**166,694**	**33,896**	**132,798**	29,778
	614,420	**248,070**	**366,350**	218,491

5. Due from Agencies/Due to Province of Manitoba

The Province of Manitoba advanced the Authority a working capital advance in the amount of $1,338,800, which in turn was advanced by the Authority to the Animikii-Ozoson CFS, Child and Family All Nations Coordinated Response Network (ANCR) and Dakota Ojibway Child and Family Services (DOCFS). The advances are repayable by the Authority if the Authority's operations cease. The amounts due from Animikii-Ozoson CFS, ANCR and DOCFS have no fixed terms of repayment and are non-interest bearing.

6. Deferred revenue

Deferred revenue represents funds received during the year, which have been deferred to periods when their specified expenses are expected to be incurred.

7. Income taxes payable

The Authority is registered as a non-profit organization under the Income Tax Act (the "Act") and as such is exempt from income taxes. In order to maintain its status as a non-profit organization under the Act, the Authority must meet certain requirements within the Act. In the opinion of management, these requirements have been met.

8. Commitments

The Authority has entered into various lease agreements with estimated minimum annual payments as follows:

2008	104,000
2009	60,000
2010	60,000
2011	60,000

The Authority occupies two leased premises subject to minimum monthly rent payments of $3,978 until November 30, 2008 and $4,974 until January 30, 2011.

9. Economic dependence

The Authority's primary source of revenue is the grant funding received from the Province of Manitoba Department of Family Services and Housing. The Authority's ability to continue viable operations is dependent upon maintaining its ability to obtain funding. As at the date of these financial statements, the Authority believes that the grant funding from the Province of Manitoba will continue.

10. Statement of cash flows

A statement of cash flows has not been prepared as the source and use of cash is readily apparent from the financial statements.

11. Financial instruments

The Authority as part of its operations carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

The carrying amount of term deposits, accounts receivable, accounts payable and accrued liabilities approximates their fair value due to the short-term maturities of these items.

First Nations of Southern Manitoba Child and Family Services Authority
Schedule 1 - Statement of Operations and Net Assets – Operating Fund
For the year ended March 31, 2007

	2007	*2006*
Revenues		
Province of Manitoba – Department of Family Services and Housing Division	**21,811,585**	12,486,683
First Nations of Northern Manitoba Child and Family Services Authority	**113,850**	94,367
Centre for Aboriginal Human Resource Development (CAHRD)	**2,509**	23,231
Other	**1,000**	1,096
	21,928,944	12,605,377
Expenses		
Personnel		
Recruitment	1,050	294
Salaries, wages and benefits	748,214	571,055
Salaries, wages and benefits – CAHRD	2,509	23,231
Training and education	11,872	1,534
Travel	24,891	17,548
	788,536	613,662
Office Operations		
Interest and bank charges	**461**	97
Information technology	**133,355**	88,373
Supplies	**18,847**	12,385
Telephone, fax and internet	**22,651**	17,042
	175,314	117,897
Office and Building		
Insurance	**15,711**	13,517
Rent	**90,142**	62,245
	105,853	75,762
Other		
Agency central support	**19,823,311**	11,021,558
Agency family support innovations fund	**213,000**	-
Agency allowance	**-**	287,219
Annual meeting	**5,204**	5,626
Board expenses	**18,831**	11,153
Common table costs	**473,893**	253,649
Professional fees	**9,422**	9,248
Process costs	**35,475**	12,019
Public relations	**629**	1,880
	20,579,765	11,602,352

Continued on next page

Continued from previous page

	2007	2006
Transition		
Agency site development	**30,131**	257,913
Board setup	**-**	1,498
Communication	**250**	433
Information technology	**-**	1,523
Furniture, equipment and supplies	**23,062**	2,796
Service system development	**-**	19,057
Transfer table costs	**-**	13,146
	53,443	296,366
Other Income		
Interest	**100,180**	15,230
Goods and Service Tax	**6,273**	7,350
Rental	**10,000**	10,000
	116,453	32,580
Excess (deficiency) of revenues over expenses	**342,486**	(68,085)
Net assets, beginning of year	**50,992**	203,645
Inter-fund transfers	**(225,453)**	(84,568)
Net assets, end of year	**168,025**	50,992

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 2 –Statement of Operations and Net Assets – Capital Fund

For the year ended March 31, 2007

	2007	*2006*
Expenses		
Amortization	**92,500**	63,745
Deficiency of revenues over expenses	**(92,500)**	(63,745)
Net assets, beginning of year	**218,491**	168,364
Inter-fund transfers	**240,357**	113,872
Net assets, end of year	**366,348**	218,491

First Nations of Southern Manitoba Child and Family Services Authority
Schedule 3 - Schedule of Operations and Net Assets - Repatriation Program
For the year ended March 31, 2007

	2007	*2006*
Revenue		
Province of Manitoba – Department of Family Services and Housing	-	35,000
Expenses		
Education and training	**500**	-
Office	**25**	-
Salaries, wages and benefits	**81,016**	29,005
Travel and entertainment	**1,073**	-
Excess (deficiency) of revenues over expenses	**(82,614)**	5,995
Net assets, beginning of year	**338,758**	349,519
Inter-fund transfers	**(14,904)**	(16,756)
Net assets, end of year	**241,240**	338,758

First Nations of Southern Manitoba Child and Family Services Authority

Schedule 4 – Statement of Operations and Net Assets – Repatriation: Aboriginal Healing Foundation

For the year ended March 31, 2007

	2007	*2006*
Revenues		
Aboriginal Healing Foundation	-	45,200
Other	-	1,353
	-	46,553
Expenses		
Conferences, meetings and workshops	-	-
Education and training	-	-
Office administration	-	-
Salaries, wages and benefits	-	32,722
Travel and entertainment	-	1,283
Allocation adjustment from West Region Child and Family Services	-	-
	-	34,005
Excess of revenues over expenses	-	12,548
Net assets, beginning of year	-	-
Inter-fund transfers	-	(12,548)
Net assets, end of year	-	-

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors of
The General Child and Family Services Authority

We have audited the statement of financial position of the General Child and Family Services Authority as at March 31, 2007 and the statements of revenues and expenses, fund balances and cash flow for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the General Child and Family Services Authority as at March 31, 2007 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

May 14, 2007 CHARTERED ACCOUNTANTS

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	TOTAL 2007	TOTAL 2006
		ASSETS			
CURRENT ASSETS					
Cash	$ 103,525	$ -	$ -	$ 103,525	$ 165,677
Accounts receivable	145,844	-	34,800	180,644	342,167
Prepaid expenses	4,007	-	-	4,007	3,350
Interfund balances	(54,510)	54,510	-	-	-
	198,866	54,510	34,800	288,176	511,194
CAPITAL ASSETS (Note 3)	-	48,871	-	48,871	45,214
	$ 198,866	$ 103,381	$ 34,800	$ 337,047	$ 556,408
		LIABILITIES AND FUND BALANCES			
CURRENT LIABILITIES					
Accounts payable and accrued liabilities	$ 9,734	$ -	$ 34,800	$ 44,534	$ 306,034
Deferred contributions (Note 4)	50,000	54,510	-	104,510	162,804
	59,734	54,510	34,800	149,044	468,838
DEFERRED CONTRIBUTIONS RELATING TO CAPITAL ASSETS (Note 4)	-	48,871	-	48,871	45,214
FUND BALANCES	139,132	-	-	139,132	42,356
	$ 198,866	$ 103,381	$ 34,800	$ 337,047	$ 556,408

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director

______________________________ Director

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	2007	2006
REVENUE					
Province of Manitoba					
Operating grant	$ 643,117	$ -	$ -	$ 643,117	$ 558,500
Transition grant (Note 4(ii))	-	24,516	-	24,516	53,938
Transition grant relating to capital assets (Note 4(iii))	-	14,744	-	14,744	12,904
Agency grants (Note 5)	-	-	6,366,100	6,366,100	6,014,972
Miscellaneous grants	120,614	-	-	120,614	10,045
Interest and other	696	1,297	-	1,993	1,777
	764,427	40,557	6,366,100	7,171,084	6,652,136
EXPENSES					
Agency allocations (Note 5)	-	-	6,366,100	6,366,100	6,014,972
Amortization	-	14,744	-	14,744	12,904
Board expenses and meetings	6,282	-	-	6,282	11,338
Insurance	2,970	-	-	2,970	2,920
Interest and bank charges	371	-	-	371	363
Miscellaneous grant expenses	116,432	-	-	116,432	10,045
Office and miscellaneous	15,419	2,685	-	18,104	37,278
Professional services	41,403	23,128	-	64,531	83,360
Rent	34,709	-	-	34,709	30,937
Resource transfer table meeting expenses	-		-	-	24
Telephone	8,613	-	-	8,613	6,268
Training	1,249	-	-	1,249	1,208
Travel	6,973		-	6,973	2,697
Wages and benefits	433,230	-	-	433,230	418,253
	667,651	40,557	6,366,100	7,074,308	6,632,567
EXCESS OF REVENUE OVER EXPENSES	$ 96,776	$ -	$ -	$ 96,776	$ 19,569

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2007

	OPERATING FUND	TRANSITION FUND	AGENCY FUND	2007	2006
Balance, beginning of year	$ 42,356	$ -	$ -	$ 42,356	$ 22,787
Excess of revenue over expenses	96,776	-	-	96,776	19,569
Balance, end of year	$ 139,132	$ -	$ -	$ 139,132	$ 42,356

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 96,776	$ 19,569
Amortization	14,744	12,904
Recognition of deferred contributions	(39,892)	(53,938)
Amortization of deferred contributions relating to capital assets	(14,744)	(12,904)
	56,884	(34,369)
Changes in the following		
Accounts receivable	161,523	(126,555)
Prepaid expenses	(657)	-
Accounts payable and accrued liabilities	(261,503)	52,222
	(43,753)	(108,702)
INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(18,399)	-
Receipt of deferred contributions	-	65,376
	(18,399)	65,376
CHANGE IN CASH	(62,152)	(43,326)
CASH, beginning of year	165,677	209,003
CASH, end of year	$ 103,525	$ 165,677

GENERAL CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2007

1. ORGANIZATION

The General Child and Family Services Authority (the "Authority") was established November 24, 2003 under The Child and Family Services Authorities Act. The Authority is a non-profit organization responsible for the administration and provision of child and family services by the agencies under its jurisdiction, being Child and Family Services of Western Manitoba, Child and Family Services of Central Manitoba, Jewish Child and Family Service, Churchill Child and Family Services, Winnipeg Child and Family Services Branch and Rural and Northern Services Branch (Interlake, Eastman, Parkland, Northern).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the following significant accounting policies:

(a) Fund accounting

The Authority records its activities in the following funds:

(i) Operating fund

This fund accounts for the activity relating to the principal activity of the Authority (Note 1).

(ii) Transition fund

The Province of Manitoba has provided one-time transition funding in support of the restructuring of the child and family services system, as initiated under the Aboriginal Justice Inquiry - Child Welfare Initiative. Funding is to be used to support the resource transfer process and the development of the corporate infrastructure of the Authority and mandated child and family services agencies under the jurisdiction of the Authority. The resource transfer process involves the transfer of cases from agencies under the jurisdiction of the Authority to the Metis Child and Family Services Authority, Northern First Nations Child and Family Services Authority, and First Nations of Southern Manitoba Child and Family Services Authority. All contributions to this fund are externally restricted for this purpose.

(iii) Agency fund

The Province of Manitoba provides the Authority with grant payments for the private mandated child and family services agencies under its jurisdiction. As set out in Section 19 of The Child and Family Services Authorities Act, the Authority is responsible for determining funding allocations among its mandated agencies. The mandated agencies include both private agencies and government offices, which have different funding arrangements with the Authority. Private agencies receive all of their funding from the Authority (excluding child maintenance), while government offices receive funding directly from government based on the approval of allocations by the Authority. All contributions to this fund are externally restricted for this purpose.

(b) Revenue recognition

The Authority follows the deferral method of accounting for contributions.

Externally restricted contributions are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue in the applicable fund when received or receivable.

Externally restricted contributions for the purchase of capital assets are deferred and recognized as revenue on the same basis as the amortization expense related to the acquired capital assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Capital assets

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

	Rate	Method
Computer software	3 years	Straight line
Furniture and fixtures	5 years	Straight line
Leaseholds	5 years	Straight line

(d) Income taxes

The Authority is a non-profit entity and is exempt from income taxes.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

(f) Financial instruments

It is management's opinion that the carrying value of the Authority's financial instruments approximates their fair value and that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Computer software	$ 1,400	$ 1,322	$ 78	$ 544
Furniture and fixtures	22,557	6,674	15,883	8,561
Leaseholds	58,027	25,117	32,910	36,109
	$ 81,984	$ 33,113	$ 48,871	$ 45,214

4. DEFERRED CONTRIBUTIONS

Deferred contributions in the operating fund relate to a $50,000 grant from the Province of Manitoba for the Joint Education & Training Initiative. The balance continuities are as follows:

(i) Deferred contributions

	2007	2006
Beginning balance	$ 65,376	$ -
Add contributions		
Province of Manitoba	-	65,376
	65,376	65,376
Less amounts amortized to revenue	15,376	-
Ending balance	$ 50,000	$ 65,376

4. DEFERRED CONTRIBUTIONS (continued)

Deferred contributions in the transition fund relate to a one-time grant from the Province of Manitoba for transition funding. The balance continuities are as follows:

(ii) Deferred contributions

	2007	2006
Beginning balance	$ 97,428	$ 151,366
Less amounts recognized as revenue in the year	42,918	53,938
Ending balance	$ 54,510	$ 97,428

(iii) Deferred contributions relating to capital assets

	2007	2006
Beginning balance	$ 45,214	$ 58,118
Add contributions		
Province of Manitoba	18,401	-
	63,615	58,118
Less amounts amortized to revenue	14,744	12,904
Ending balance	$ 48,871	$ 45,214

5. AGENCY GRANTS

The Authority received funding from the Province of Manitoba in the amount of $6,366,100 (2006 - $6,014,972) to be allocated to the agencies under its jurisdiction. The Agency grants were allocated as follows:

	Child and Family Services Division			
Agency	Child Protection Branch	Strategic Initiatives Branch	Total 2007	Total 2006
Child and Family Services of Central Manitoba	$ 2,400,500	$ -	$ 2,400,500	$ 2,319,900
Child and Family Services of Western Manitoba	3,727,500	-	3,727,500	3,462,172
Jewish Child and Family Services	227,100	-	227,100	222,200
Churchill Regional Health Authority	11,000	-	11,000	10,700
Total	$ 6,366,100	$ -	$ 6,366,100	$ 6,014,972

Child maintenance is paid directly to the above agencies from the Province of Manitoba and is not included in the accounts of the Authority.

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Auditors' Report

To the Members of
INSURANCE COUNCIL OF MANITOBA

We have audited the statement of financial position of INSURANCE COUNCIL OF MANITOBA as at March 31, 2007 and the statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 18, 2007

BDO ***Dunwoody LLP is a Limited Liability Partnership registered in Ontario***
BDO ***Dunwoody s.r.l. est une société à responsabilité limitée constituée en Ontario***

INSURANCE COUNCIL OF MANITOBA
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Cash and bank	$ 110,148	$ 96,851
Short-term investments (Note 3)	7,599	37,815
Accounts receivable	1,145	2,941
Interest receivable	29,496	13,630
Prepaid expenses	16,336	8,186
	164,724	159,423
Long-term investments (Note 4)	755,293	623,675
Capital assets (Note 6)	34,721	37,696
	$ 954,738	$ 820,794
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 49,278	$ 46,735
Deferred revenue	138,544	126,314
	187,822	173,049
Net Assets		
Information Technology Reserve (Note 7)	60,000	60,000
Unrestricted net assets	706,916	587,745
	766,916	647,745
	$ 954,738	$ 820,794

On behalf of the Council:

____________________________ Member

____________________________ Member

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Operations and Changes in Net Assets

For the year ended March 31	2007	2006
Revenue		
Licences (Note 5)	$ **645,678**	$ 622,007
Other	**43,598**	50,121
Examinations	**47,592**	47,864
Interest income	**37,267**	20,268
	774,135	740,260
Expenses		
Advertising, dues and subscriptions	**4,289**	4,158
Amortization	**11,465**	14,152
Bad debts	**-**	700
Bank charges and interest	**468**	468
Computer consulting fees	**24,765**	7,918
Council	**18,382**	22,125
Equipment leases	**5,123**	6,316
Insurance	**10,843**	10,577
Meetings and travel	**31,120**	35,677
Office and equipment rental	**26,350**	36,923
Postage and courier	**7,449**	11,605
Professional fees	**63,303**	23,820
Rent	**63,044**	59,233
Salaries and benefits	**375,397**	358,318
Telephone	**7,650**	8,106
Training	**5,316**	6,297
	654,964	606,393
Excess of revenues over expenses for the year	**119,171**	133,867
Net assets, beginning of year	**587,745**	513,878
Transfer to Information Technology Reserve (Note 7)	**-**	(60,000)
Net assets, end of year	$ **706,916**	$ 587,745

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Net income for the year	$ **119,171**	$ 133,867
Amortization	**11,465**	14,152
Changes in non-cash working capital balances		
Accounts receivable	**1,796**	(742)
Interest receivable	**(15,866)**	387
Prepaid expenses	**(8,150)**	(600)
Accounts payable and accrued liabilities	**2,543**	5,462
Deferred revenue	**12,230**	632
	123,189	153,158
Cash Flows from Investing Activities		
Purchase of capital assets	**(8,490)**	(2,104)
Purchase of investments	**(131,618)**	(106,444)
	(140,108)	(108,548)
Increase (decrease) in cash and cash equivalents for the year	**(16,919)**	44,610
Cash and cash equivalents, beginning of year	**134,666**	90,056
Cash and cash equivalents, end of year	$ **117,747**	$ 134,666

Represented by		
Cash and bank	$ **110,148**	$ 96,851
Short-term investments	**7,599**	37,815
	$ **117,747**	$ 134,666

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INSURANCE COUNCIL OF MANITOBA
Summary of Significant Accounting Policies

March 31, 2007

Financial Instruments

The Council's financial instruments consist of cash, accounts receivable, interest receivable, short-term investments, long-term investments and accounts payable. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Basis of Accounting

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Investments

Investment in short-term securities are recorded at cost.

Investments in long-term securities are recorded at cost. When there is an other than temporary decline in the fair value of investments, the carrying value is reduced to fair value.

Capital Assets

Capital assets are recorded at cost and are amortized over their estimated useful lives as follows:

Furniture and fixtures	20 % diminishing balance basis
Computer hardware	30 % diminishing balance basis
Computer software	30 % diminishing balance basis

Information Technology Reserve

The Information Technology Reserve is to be used for funding future upgrades to the Council's information technology system.

Revenue Recognition

License fees are recognized as income over the term of the license period. Examinations revenue is recognized when the exam is administered. Interest revenue is recognized on an accrual basis. Other fee revenue is recognized as services are provided.

1. Nature of Business

The Council was created under the provisions of the Insurance Act (Manitoba) on October 17, 1991 and commenced activities on May 6, 1992. The purpose of the Council is to administer the examinations for and licensing of insurance agents in Manitoba. The Council is exempt from income taxes under section 149(1) of the *Income Tax Act*.

2. Employee Benefits

The Council matches employee RRSP contributions. Employees may contribute up to 5.1 percent on the first $35,400 of earnings and up to 7 percent on earnings thereafter up to the maximum level allowed under federal taxation regulations. The Council's contributions to employee RRSPs for the year ended March 31, 2007 were $16,894 ($15,391 in 2006).

3. Short-term Investments

	2007	2006
Bank of Montreal Money Market Fund	**$ 7,599**	$ 37,815

The fair value of the short-term investment approximates the carrying value.

4. Long-term Investments

	2007		2006	
	Fair Value	Carrying Value	Fair Value	Carrying Value
AGF Trust Company GIC, 2.96% due July 28, 2006	$ -	$ -	$ 50,000	$ 50,000
MBNA Canada Bank Deposit, 6.00% due September 11, 2006	-	-	20,090	20,000
MBNA Canada Bank Medium Term Deposit 3.75% due September 15, 2006	-	-	19,900	20,000
Manitoba Builder Bonds, 3.80% due June 15, 2007	149,813	150,000	145,575	150,000
Home Trust Company GIC, 3.70% due October 22, 2007	58,659	53,675	56,566	53,675
Manitoba Builder Bonds, 4.25% due June 15, 2008	58,497	50,000	50,000	50,000
Manitoba Builder Bonds, 3.25% due June 15, 2008	49,356	50,000	47,050	50,000
Maple Trust GIC, 4.20% due March 10, 2009	36,556	35,000	35,083	35,000
AGF Trust Company GIC, 4.175% due October 20, 2009	66,307	60,000	63,650	60,000
Manitoba Builder Bonds, 3.70% due June 15, 2010	105,024	100,000	100,000	100,000
Province of Manitoba Portfolio Allocation Notes, Series 1	34,161	35,000	35,190	35,000
Canadian Western Bank GIC, 4.45% due 08/04/2009	30,879	30,000	-	-
Bank of Montreal GIC, 6 yr. due 06/14/2012	69,720	70,000	-	-
Equitable Trust GIC, 3.70% due 9/20/2007	20,375	20,375	-	-
Equitable Trust GIC, 3.75% due 9/14/2007	20,611	20,611	-	-
MB Hydro Bonds, Series 9, 4.35% due 6/15/2011	50,000	50,000	-	-
Montreal Trust GIC, 4.00% due 8/01/2007	30,632	30,632	-	-
	$ 780,590	$ 755,293	$ 623,104	$ 623,675

The investments are classified as long-term since it is the intent of the Council to reinvest the investments when they mature.

5. Related Party Transactions

The Council and the Office of the Superintendent of Insurance of Manitoba (OSIM) levy fees on members. The Council acts as agent and remits 44 percent of license and other fees and 15 percent of examination fees to the OSIM. These amounts are not included in the financial statements. In 2007, this amount is $549,918 ($527,735 in 2006).

Included in accounts payable and accrued liabilities is $32,083 ($27,280 in 2006) payable to OSIM.

6. Capital Assets

	2007			2006		
	Cost	**Accumulated Amortization**	**Net Book Value**	Cost	Accumulated Amortization	Net Book Value
Computer software	**$ 87,479**	**$ 79,474**	**$ 8,005**	$ 86,701	$ 76,210	$ 10,491
Furniture & fixtures	**47,354**	**36,870**	**10,484**	44,255	34,636	9,619
Computer hardware	**93,109**	**76,877**	**16,232**	88,495	70,909	17,586
	$ 227,942	**$ 193,221**	**$ 34,721**	$ 219,451	$ 181,755	$ 37,696

7. Transfer to Information Technology Reserve

In 2006, the Council adopted a motion to internally restrict $60,000 of accumulated net assets for the establishment of an Information Technology Reserve. The reserve will be used for future upgrades to the Council's information technology system.

8. Commitments

The Council leases equipment and office premises under the provisions of operating leases which expire up to November 2011. Commitments to expiry are as follows:

2008	$ 69,213
2009	70,891
2010	70,371
2011	26,407

9. Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

10. Contributed Services

The work of the Council is dependent on the voluntary services of members. The value of donated services is not recognized in these financial statements.

RESPONSIBILITY FOR FINANCIAL REPORTING

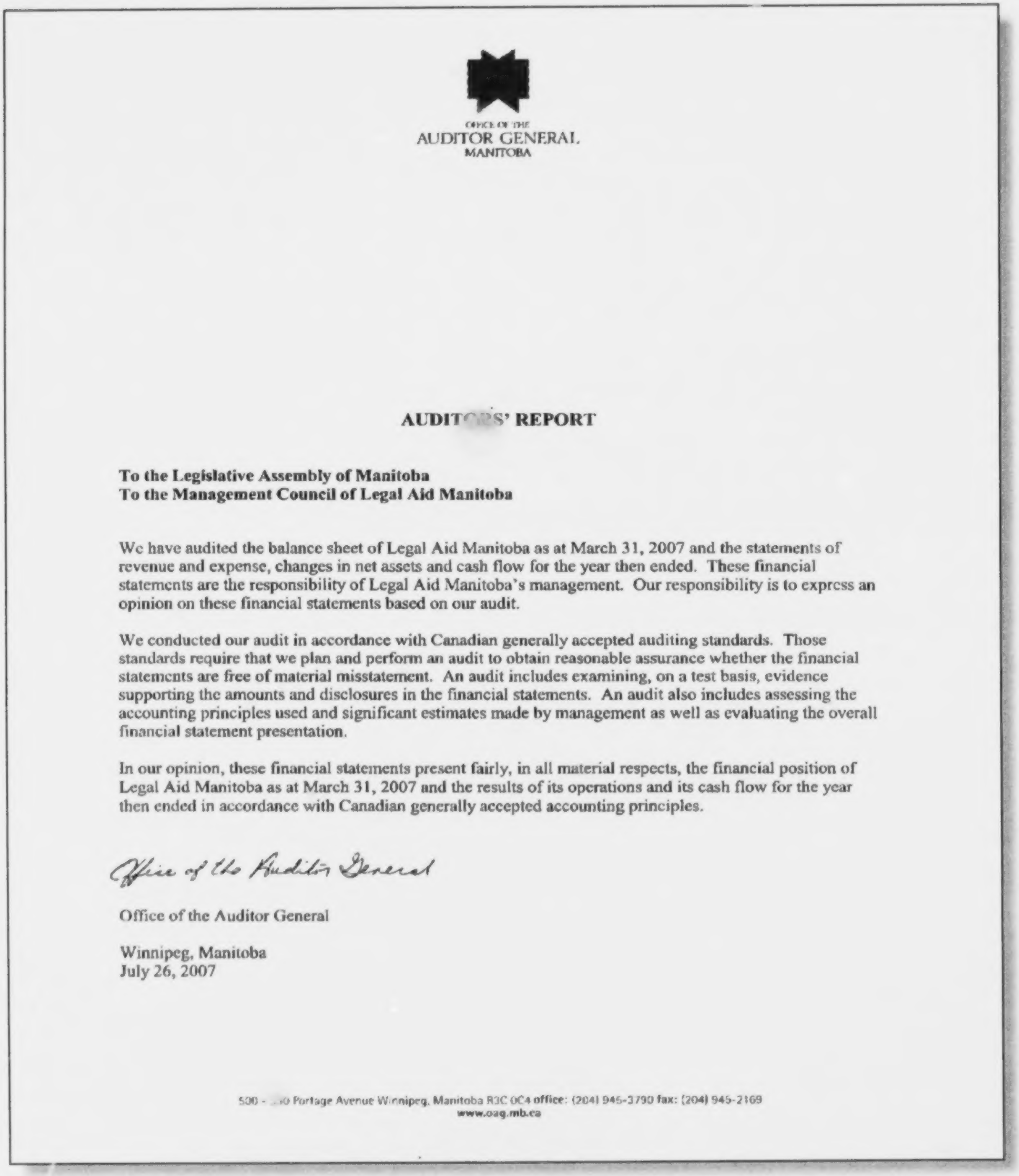
The accompanying financial statements of Legal Aid Manitoba are the responsibility of management and have been prepared in accordance with the accounting policies stated in Note 2 to the financial statements for the year ended March 31, 2007.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide reasonable assurance that assets are properly accounted for and safeguarded from loss.

The responsibility of the Auditor General is to express an independent professional opinion on whether the financial statements are fairly presented in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Gerry McNeilly
Executive Director
Legal Aid Manitoba

June 29, 2007



OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Management Council of Legal Aid Manitoba

We have audited the balance sheet of Legal Aid Manitoba as at March 31, 2007 and the statements of revenue and expense, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of Legal Aid Manitoba's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Manitoba as at March 31, 2007 and the results of its operations and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 26, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

LEGAL AID MANITOBA

Balance Sheet
as at March 31

	2007	2006
ASSETS		
Current Assets		
Cash	$ 2,086,968	$ 1,468,182
Client accounts receivable, net (Note 3)	183,081	225,589
Receivable from the Province of Manitoba	4,100,000	4,265,000
Receivable from the Government of Canada	324,834	269,608
Other receivables, net (Note 4)	82,061	69,985
Prepaid expenses	263,743	285,241
	7,040,687	6,583,605
Capital Assets (Note 5)	351,475	231,057
Long-term receivable - charges on land, net (Note 6)	757,005	758,753
Long-term receivable - severance - Province of Manitoba (Note 7)	716,166	716,166
Long-term receivable - pension - Province of Manitoba (Note 14)	11,051,780	10,023,029
	$ 19,917,114	$ 18,312,610
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	$ 4,292,301	$ 4,541,425
Accrued vacation pay	846,747	781,505
Deferred revenue from clients	408,548	413,889
	5,547,596	5,736,819
Severance liability (Note 8)	1,435,200	1,235,727
Provision for employee pension benefits (Note 14)	11,051,780	10,023,029
	12,486,980	11,258,756
Net Assets		
Invested in Capital Assets	351,475	231,057
Restricted Net Assets	91,107	91,311
Unrestricted Net Assets	1,439,956	994,667
	1,882,538	1,317,035
	$ 19,917,114	$ 18,312,610

Approved by the Council

Chairperson

Council Member

LEGAL AID MANITOBA

Statement of Revenue and Expense
for the year ended March 31

	2007	2006
Revenue		
Province of Manitoba (Note 9)	$ 20,677,425	$ 20,524,142
Manitoba Law Foundation (Note 10)	1,493,901	1,153,929
Contributions from clients	838,954	890,806
Recoveries from third parties	273,784	389,978
Government of Canada	246,140	270,688
Judgment costs and settlements	102,722	93,466
Interest income	46,873	22,360
Other	3,086	10,214
	$ 23,682,886	$ 23,355,583
Expense		
Private bar fees and disbursements (Note 13)		
Legal aid certificates	$ 7,481,994	$ 8,776,126
Duty counsel services	295,686	341,787
Transcripts and Other Contributed Services	81,383	101,114
	7,859,063	9,219,027
Community Law Centres, Schedule 1	9,546,499	9,041,179
Public Interest Law Centre, Schedule 1	565,327	574,103
University Law Centre, Schedule 1	96,663	90,692
General and Administrative, Schedule 1	5,049,831	4,605,781
	$ 23,117,383	$ 23,530,782
Excess (Deficiency) of Revenue over Expense	$ 565,503	$ (175,199)

LEGAL AID MANITOBA

Statement of Changes in Net Assets
for the year ended March 31

	2007				2006
	Invested in Capital Assets	Restricted Net Assets (Note 15)	Unrestricted Net Assets	Total	Total
Balance, Beginning of Year	$ 231,057	$ 91,311	$ 994,667	$ 1,317,035	$ 1,492,234
Restricted Net Assets Expenses	-	(204)	204	-	-
Excess (Deficiency) of Revenue over Expense	(107,123)	-	672,626	565,503	(175,199)
Capital Asset Additions	227,541	-	(227,541)	-	-
BALANCE, END OF YEAR	$ 351,475	$ 91,107	$ 1,439,956	$ 1,882,538	$ 1,317,035

LEGAL AID MANITOBA

Statement of Cash Flow
for the year ended March 31

	2007	2006
Cash Flow Provided by (Used In) Operating Activities:		
Excess (Deficiency) of Revenue over Expense	$ 565,503	$ (175,199)
Add items not affecting cash		
Amortization	107,123	55,200
Bad debt expense	207,773	182,078
Changes in working capital:		
Client accounts receivable	(80,731)	(90,666)
Province of Manitoba receivable	165,000	(515,000)
Government of Canada receivable	(55,226)	91,593
Other receivables	(98,357)	(83,036)
Prepaid expenses	21,498	2,241
Accounts payable and accrued vacation pay	(183,882)	153,532
Deferred revenue	(5,341)	26,569
	643,360	(352,688)
Cash Flow Provided by (Used In) Financing Activities:		
Charges on land	3,495	17,842
Long-term funding commitments	(1,028,751)	(939,755)
Severance liability	199,473	105,269
Provision for employee pension benefits	1,028,751	939,755
	202,968	123,111
Cash Flow Provided by (Used In) Investing Activities:		
Purchase of capital assets	(227,541)	(40,053)
	(227,541)	(40,053)
Net Increase (Decrease) in Cash for the Year	618,786	(269,630)
Cash - Beginning of Year	1,468,182	1,737,812
Cash - End of Year	$ 2,086,968	$ 1,468,182

LEGAL AID MANITOBA

SCHEDULE 1

Schedule of Expenses
for the year ended March 31

	COMMUNITY LAW CENTRES		PUBLIC INTEREST LAW CENTRE		UNIVERSITY LAW CENTRE		GENERAL AND ADMINISTRATIVE		TOTAL	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Advertising	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,314	$ 24,159	$ 25,314	$ 24,159
Amortization	77,786	26,580	2,967	3,045	-	-	26,370	25,575	107,123	55,200
Bad debts	-	-	-	-	-	-	207,773	182,078	207,773	182,078
Bank charges	-	-	-	-	-	-	2,190	2,159	2,190	2,159
Collection costs	-	-	-	-	-	-	7,481	8,587	7,481	8,587
Computer costs	13,473	25,971	-	1,335	-	132	29,932	32,863	43,405	60,301
Council expenses	-	-	-	-	-	-	112,045	88,315	112,045	88,315
Duty counsel	190,417	183,099	-	-	-	105	813	1,389	191,230	184,593
Equipment maintenance	85,481	57,091	11,509	7,859	-	-	47,996	27,861	144,986	92,811
Expert witnesses and consultants	-	-	25,350	22,710	-	-	-	-	25,350	22,710
File disbursements	231,382	215,546	45,158	85,057	978	1,138	26,935	22,354	304,453	324,095
Library	27,296	26,396	6,008	6,629	74	-	25,548	23,878	58,926	56,903
Meetings	27,818	28,925	13,610	93	-	-	18,436	16,263	59,863	45,281
Office expenses	184,766	217,246	14,325	17,650	3,580	1,479	155,222	136,020	357,893	372,395
Office relocation	4,371	3,748	-	183	-	-	1,133	-	5,505	3,931
Pension costs (note 14)	-	-	-	-	-	-	1,258,250	1,130,842	1,258,250	1,130,842
Premise costs	612,674	536,733	23,495	20,473	39	-	172,316	147,551	808,524	704,757
Professional fees	127,375	104,492	8,999	8,946	-	-	153,192	237,505	289,565	350,943
Salaries, benefits and levy	7,712,682	7,368,302	400,896	386,177	86,869	83,169	2,333,361	2,209,925	10,533,808	10,047,573
Severance benefits	-	-	-	-	-	-	290,575	172,642	290,575	172,642
Staff development	39,699	41,180	1,877	3,681	-	-	84,088	58,015	125,664	102,876
Staff recruitment	22,159	16,525	105	66	-	-	10,327	494	32,591	17,085
Telephone	95,933	88,501	5,069	4,880	2,617	1,779	42,049	41,874	145,669	137,034
Transcripts and Other Contributed Services	9,663	14,561	-	-	55	-	-	-	9,718	14,561
Travel	83,524	86,283	5,959	5,319	2,451	2,890	18,484	15,432	110,418	109,924
TOTAL	$ 9,546,499	$ 9,041,179	$ 565,327	$ 574,103	$ 96,663	$ 90,692	$ 5,049,831	$ 4,605,781	$ 15,258,320	$ 14,311,755

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2007

1. Nature of the Corporation

Legal Aid Manitoba (the Corporation) was established by an Act of the Legislative Assembly of Manitoba.

The purpose of the Corporation, as set out in the Act, is to service the public interest by:

a) providing quality legal advice and representation to eligible low-income individuals;
b) administering the delivery of legal aid in a cost-effective and efficient manner; and
c) providing advice to the Minister on legal aid generally and on the specific legal needs of low-income individuals.

The Corporation is economically dependent upon the Province of Manitoba. Other revenue sources include The Manitoba Law Foundation, individual clients, and third party agencies.

2. Significant Accounting Policies

a) Accounting Basis

The financial statements are prepared in accordance with Canadian generally accepted accounting principles.

b) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Recognition of Contributions from Clients

Clients may be required to pay a portion or all of the legal costs incurred on their behalf by Legal Aid Manitoba based on the clients' ability to pay.

i) Agreements to Pay

Clients who are able to pay, sign an agreement to pay for their portion of the applicable legal costs. The amount the client is required to pay is specified on the legal aid certificate. The revenue and receivable are recognized when the certificate is signed.

ii) Expanded Eligibility

Under terms of expanded eligibility, clients are required to pay all of the legal costs and an administration fee of 25% of the Corporation's cost of the case up to a maximum of $250. The revenue and receivable are recognized based on the date of the lawyer's billing.

iii) Charges on Land

Liens are registered under Section 17 of *The Legal Aid Manitoba Act* in a Land Titles Office against property owned by clients. The revenue and receivable are recognized at the later of the date the lien is filed or the date of the lawyer's billing. Collection of these accounts in the future is dependent on the client disposing of the property or arranging for payment.

d) Allowance for Doubtful Accounts

The allowances for doubtful accounts are determined annually based on a review of individual accounts. The allowances represent management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectibility of an account, specific allowances are established for individual accounts. In addition to the allowances identified on an individual account basis, the Corporation establishes a further allowance representing management's best estimate of additional probable losses in the remaining accounts receivable.

e) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets as follows:

- Furniture and office equipment – 10 years
- Computer hardware and software – 4 years
- Leasehold improvements – over the term of the lease

f) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

g) Pension Plan

Employees of the Corporation are pensionable under *The Civil Service Superannuation Act*. The Corporation accrues a provision for the liability for the employer's share of employee pension benefits, including future cost of living adjustments, based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustment needed is recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

h) Financial Instruments

The Corporation's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

3. Client Accounts Receivable, net

	2007	**2006**
Agreements to Pay	$ 71,885	$ 73,802
Expanded Eligibility	404,849	473,441
	476,734	547,243
Less: Allowance for Doubtful Accounts	293,653	321,654
Clients Accounts Receivable, net	183,081	225,589

4. Other Receivables, net

	2007	2006
Court Costs	$ 239,634	$ 222,445
Child and Family Services Agencies	7,908	19,529
Employment and Income Assistance	10,211	29,479
Employee Advances, GST Recoverable, and Miscellaneous	59,401	16,899
	317,154	288,352
Less: Allowance for Doubtful Accounts	235,093	218,367
Other Receivables, net	$ 82,061	$ 69,985

5. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and Office Equipment	$ 160,183	$ 50,485	$ 155,743	$ 34,688
Computer Hardware and Software	198,590	76,052	66,078	49,650
Leasehold Improvements	258,339	139,100	167,750	74,176
	$ 617,112	$ 265,637	$ 389,571	$ 158,514
Net Book Value		$ 351,475		$ 231,057

6. Charges on Land, net

	2007	2006
Charges on Land	$ 1,514,011	$ 1,517,506
Less: Allowance for Doubtful Accounts	757,006	758,753
Charges on Land, net	$ 757,005	$ 758,753

7. Long-term Receivable - Severance Benefits

The Province accepted responsibility for the severance benefits accumulated by Legal Aid employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 of $716,166 was completely offset by a receivable from the Province. There are no terms of repayment for the receivable, and the amount will remain fixed at $716,166.

8. Severance Liability

Effective April 1, 1998, Legal Aid commenced recording the estimated liability for accumulated severance pay benefits for their employees. The amount of this estimated liability is based on actuarial calculations. The periodic actuarial valuation of this liability may determine that an adjustment is needed to the actuarial calculation when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recognized immediately in net revenue (expense) in the year that the actuarial gain or loss arises.

An actuarial report was completed for the severance pay liability as at March 31, 2007 by Ellement & Ellement Ltd., Consulting Actuaries. The report provides a formula to update liability on an annual basis.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 23 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

9. Revenue from the Province of Manitoba

	2007	**2006**
Grant	$ 11,422,994	$ 11,494,855
Salaries and other payments	8,363,627	8,179,332
Health and post secondary education tax levy	175,532	192,735
Employer portion of employee benefits	715,272	657,220
	$ 20,677,425	$ 20,524,142

Grant revenue from the Province of Manitoba includes the Corporation's share of provisions recorded for unfunded pension liabilities.

10. Revenue from The Manitoba Law Foundation

	2007	2006
Statutory Grant	$ 1,268,901	$ 933,929
Public Interest Law Centre	150,000	150,000
University Law Centre	75,000	70,000
	$ 1,493,901	$ 1,153,929

A statutory grant, pursuant to subsection 90(1) of *The Legal Profession Act*, is received annually from The Manitoba Law Foundation. The Corporation's share under the Act is 50% of the total interest on lawyers' trust accounts as received by the Foundation or a minimum of $1,007,629, whichever is greater. In the event that interest received by the Foundation in the preceding year, after deduction of the Foundation's operational expenses, is not sufficient to pay the statutory minimum of $1,007,629 to Legal Aid Manitoba, the Act provides for pro-rata sharing of the net interest.

Other grants from The Manitoba Law Foundation are received pursuant to subsection 90(4) of *The Legal Profession Act*. These grants are restricted for the Public Interest Law Centre and the University Law Centre. At March 31, 2007, there were no funds remaining from these grants.

11. Commitments

a) Lease

The Corporation rents facilities under operating leases. Unpaid remaining commitments under the leases, which expire at varying dates are:

2008	$ 663,665
2009	615,908
2010	612,099
2011	570,200
2012	381,438
Thereafter	59,325
	$ 2,902,635

b) Private Bar

Estimated total commitments for future billings on outstanding legal aid certificates amount to $1,403,000 as at March 31, 2007 (2006 - $2,648,000).

12. Related Parties Transactions

The Corporation is related in terms of common ownership to all Province of Manitoba created departments, agencies and crown corporations. The Corporation enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

13. Private Bar Fees and Disbursements

	Fees	Disbursements	2007 Total	2006 Total
Legal Aid Certificates	$ 6,901,836	$ 580,158	$ 7,481,994	$ 8,776,126
Duty Counsel	295,686	-	295,686	341,787
Transcripts and Other Contributed Services	-	81,383	81,383	101,114
Total	$ 7,197,522	$ 661,541	$ 7,859,063	$ 9,219,027

Management Council declared a hold back holiday for all certificates processed during the fiscal year April 1, 2006 - March 31, 2007. Certificates issued in this fiscal year were not subject to a hold back.

14. Provision for Employee Pension Benefits

Pension costs consist of the employer's share of pension benefits to retired employees, as well as the increase in the unfunded pension liability during the fiscal year. This liability is determined by an actuarial valuation every three years with the balances for the intervening years being determined by a formula provided by the actuary. The most recent valuation was completed as at December 31, 2004 by Ellement & Ellement Ltd., Consulting Actuaries.

Notes to Financial Statements
for the year ended March 31, 2007

	2007	2006
Balance at beginning of year	$ 10,023,029	$ 9,083,274
Experience (Gain) Loss	-	(101,074)
Benefits accrued	539,168	603,848
Interest accrued on benefits	719,082	628,067
Benefits paid	(229,499)	(191,086)
Balance at end of year	$ 11,051,780	$ 10,023,029

The key actuarial assumptions were a rate of return of 6.50% (2001 – 6.75%), 2.50% inflation (2001 – 2.75%), salary rate increases of 4.25% (2001 – 4.5%) and post retirement indexing at 2/3 of the inflation rate. The projected benefit method was used and the liability has been extrapolated to March 31, 2007 using a formula provided by the actuary.

The Province of Manitoba has accepted responsibility for the unfunded pension liability. Accordingly the provision for employee pension benefits is offset by a receivable from the Province of Manitoba. There are no terms of repayment for this receivable.

15. Restricted Net Assets - Wrongful Conviction Cases

During the fiscal year ended March 31, 2006 the Province of Manitoba approved a reallocation of $130,000 from Legal Aid Manitoba's unrestricted net assets. This funding is being provided for section 696 applications under the Criminal Code for wrongful conviction appeals on a pilot project basis until March 31, 2007. In the current fiscal year, the Corporation incurred expenses of $204 (2006 - $38,689) for private bar fees and disbursements related to wrongful conviction cases. The balance remaining is $91,107.

16. Public Sector Compensation Disclosure

For the purposes of *The Public Sector Compensation Disclosure Act*, all compensation for employees, Management Council members, and the private bar fees and disbursements from Legal Aid Manitoba is disclosed in a separate statement.

LEGAL AID MANITOBA

Notes to Financial Statements
for the year ended March 31, 2007

17. Contingencies

Legal Aid Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the Corporation. No provision has been made in the financial statements in respect of these claims as of March 31, 2007.

18. Legal Aid Manitoba Application System (LAMAS)

A new software application system was installed and implemented fiscal 2006/07 at a cost of $764,850. The system was paid for by the Department of Justice and therefore, a capital asset has not been recorded in these financial statements.

STEFANSON LEE ROMANIUK
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Board of Directors of
Manitoba Adolescent Treatment Centre Inc.

We have audited the balance sheet of Manitoba Adolescent Treatment Centre Inc. as at March 31, 2007 and the statement of operations and the statements of changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Centre's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Stefanson Lee Romaniuk
Chartered Accountants

Winnipeg, Manitoba
May 14, 2007

*Services provided by:
Kenneth John Lee Chartered Accountant Inc
Brent R. Stefanson Chartered Accountant Inc.
Philip A. Romaniuk Chartered Accountant Inc.

1151 PORTAGE AVENUE, WINNIPEG, MANITOBA R3G 0S9 TELEPHONE 204/775-8975 FAX 783-4926

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Balance Sheet
March 31, 2007

		2007	2006
ASSETS			
Current			
Cash and short term investments	$	1,097,718	1,245,746
Prepaid expenses		10,790	17,668
Accounts receivable - Winnipeg Regional Health Authority		81,010	58,758
Accounts receivable - other		327,474	62,849
		1,516,992	1,385,021
Pre-retirement leave receivable (note 2)		683,062	602,721
Capital assets (note 3)		2,382,595	2,214,682
	$	4,582,649	4,202,424
LIABILITIES			
Current			
Accounts payable	$	325,964	163,169
Accrued wages		255,371	251,532
Vacation pay payable		653,934	572,272
		1,235,269	986,973
Pre-retirement leave payable (note 2)		666,933	586,592
Deferred contributions (note 4)		25,006	24,138
Deferred contributions relating to capital assets (note 5)		1,247,049	1,196,600
		3,174,257	2,794,303
NET ASSETS			
Unrestricted		272,847	390,039
Net investment in capital assets		1,135,546	1,018,082
		1,408,393	1,408,121
	$	4,582,650	4,202,424

APPROVED BY THE BOARD:

Lesia Szwaluk **DIRECTOR**

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Operations
for the year ended March 31, 2007

	2007	2006
Income		
Program		
Winnipeg Regional Health Authority	$ 8,084,034	8,255,772
Province of Manitoba	194,001	25,000
Recovery and other	114,082	109,465
	8,392,117	8,390,237
Interest and miscellaneous income	83,186	123,096
Amortization of deferred contributions relating to capital assets	107,656	104,713
Actuarial change in pre-retirement leave receivable	80,341	49,663
	8,663,300	8,667,709
Expenses		
Medical remuneration	295,528	168,140
Other program costs		
Hospital services	4,358,785	3,866,595
Community Child and Adolescent Treatment Services	1,772,701	1,953,561
Centralized Intake Services	633,181	704,680
Youth Forensic Services	329,996	259,216
Educational Psychiatric Services	52,756	56,687
Early Psychosis Prevention and Intervention Services	877,829	745,783
Youth Addictions	154,255	-
	8,475,031	7,754,662
Amortization of capital assets	107,656	104,713
Actuarial change in pre-retirement leave payable	80,341	(96,632)
	8,663,028	7,762,743
Excess of income over expenses for the year	272	904,966
Amount repayable to the Winnipeg Regional Health Authority (note 2)	-	(379,336)
Retainable portion of excess of income over expenses for the year	$ 272	525,630

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Statement of Changes in Net Assets
for the year ended March 31, 2007

		Net Investment Capital Assets	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	$	1,018,082	390,039	1,408,121	882,491
Excess (deficiency) of income over expenses for the year		-	272	272	525,630
Invested in capital assets		117,464	(117,464)	-	-
Balance, end of year	$	1,135,546	272,847	1,408,393	1,408,121

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Cash Flow Statement
for the year ended March 31, 2007

		2007	2006
Cash from operating activities			
Excess (deficiency) of income over expenses for the year	$	272	525,630
Adjustments for non-cash items			
Amortization of capital assets		107,656	104,713
Net change in non-cash working capital items		(31,703)	(1,379)
Amortization of deferred contributions relating to capital assets		(107,656)	(104,713)
		(31,431)	524,251
Change in pre-retirement leave receivable		(80,341)	(49,663)
Change in pre-retirement leave payable		80,341	(96,632)
Cash provided by operating activities		(31,431)	377,956
Financing and investing activities			
Capital funding for asset purchases		158,104	41,995
Purchase of capital assets		(275,569)	(62,966)
Change in contributions		868	8,109
Cash used in financing and investing activities		(116,597)	(12,862)
Change in cash for the year		(148,028)	365,094
Cash position, beginning of year		1,245,746	880,652
Cash position, end of year	$	1,097,718	1,245,746

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Notes to Financial Statements
March 31, 2007

1. Purpose:

The Manitoba Adolescent Treatment Centre Inc. (M.A.T.C.) was incorporated in the Province of Manitoba without share capital on February 23, 1983 as a non-profit organization and is a registered charity for income tax purposes. M.A.T.C. provides inpatient and outpatient services as well as rehabilitative and medical care and treatment programs to children and adolescents in Manitoba.

2. Significant accounting policies:

Revenue recognition

The Centre follows the deferral method for accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection reasonably assured.

Restricted investment income is recognized as revenue in the year in which the related expenses are incurred. Unrestricted investment income is recognized as revenue as earned.

Capital assets

Capital assets are recorded at cost. Capital assets are amortized over the estimated useful lives of the assets at the following annual rates.

Buildings	5% declining balance
Equipment	20% declining balance

Vacation pay

Vacation pay is recorded on the accrual basis. The vacation pay liability at March 31 is reflected as a payable in the statements.

Repayment to Winnipeg Regional Health Authority

The Centre and the Winnipeg Regional Health Authority (WRHA) have entered into an operating agreement. In accordance with this agreement, the Centre is able to retain a portion of the excess of income over expenses for the year. This amount, which is identified as retainable surplus, is calculated in accordance with WRHA policy. The amount of excess of income over expenses which exceeds the retainable surplus is repayable to the WRHA in the year the funding is received.

Pre-retirement leave

The pre-retirement leave liability and the corresponding receivable from the funders are reflected in the financial statements. Manitoba Health through its funding to the Winnipeg Regional Health Authority (WRHA) has guaranteed the receivable to March 31, 2004. In addition, the WHRA provides funding approval on an annual basis for the current change in the pre-retirement leave liability.

3. Capital assets:

		2007			2006
		Cost	Accumulated Amortization	Net	Net
Land	$	556,670	-	556,670	556,670
Buildings		3,953,700	2,241,021	1,712,679	1,556,868
Equipment		1,046,806	933,560	113,246	101,144
	$	5,557,176	3,174,581	2,382,595	2,214,682

4. Deferred contributions:

		2007	2006
Winnipeg Foundation	$	16,029	16,029
Manitoba Adolescent Treatment Centre Foundation Inc.		5,000	5,000
Early Psychosis Prevention and Intervention Services		3,977	3,109
	$	25,006	24,138

5. Deferred contributions relating to capital assets:

		2007	2006
Balance, beginning of year	$	1,196,600	1,259,318
Capital funding received		158,103	41,995
Amortization of deferred contributions		(107,656)	(104,713)
	$	1,247,047	1,196,600

MANITOBA ADOLESCENT TREATMENT CENTRE INC.

Schedule I - Schedule of Program Operations
for the year ended March 31, 2007

	Hospital Services	Community Child and Adolescent Treatment Services	Centralized Intake Services	Youth Forensic Services	Educational Psychiatric Services	Early Psychosis Prevention and Intervention Services	Youth Addictions	Total 2007	Total 2006
Income									
Winnipeg Regional Health Authority	$ 4,484,396	1,826,100	618,720	294,790	18,203	841,825	-	8,084,034	8,255,772
Province of Manitoba	-	-	-	25,000	-	-	169,001	194,001	25,000
Winnipeg School Division No. 1	-	-	-	-	29,337	-	-	29,337	36,553
Other	83,130	-	-	-	-	1,615	-	84,745	72,912
	4,567,526	1,826,100	618,720	319,790	47,540	843,440	169,001	8,392,117	8,390,237
Expenditures									
Other program costs									
Salaries and wages	2,976,867	1,383,698	512,001	251,033	34,386	674,311	111,979	5,944,275	5,640,069
Employee benefits	496,031	200,299	76,748	40,147	5,851	94,631	11,264	924,971	776,460
Health and Education levy	65,966	30,928	11,406	5,770	766	14,897	2,406	132,139	116,875
Accounting services	5,623	2,300	1,250	937	689	695	687	12,181	11,425
Professional and membership fees	10,909	2,160	1,500	1,200	1,200	-	-	16,969	16,594
Purchased services	67,829	18,971	-	-	-	-	-	86,800	59,333
Other supplies and operating costs	735,560	134,345	30,276	30,909	9,864	93,295	27,919	1,062,168	965,766
	4,358,785	1,772,701	633,181	329,996	52,756	877,829	154,255	8,179,503	7,586,522
Medical remuneration	295,528	-	-	-	-	-	-	295,528	168,140
Total expenditures	4,654,313	1,772,701	633,181	329,996	52,756	877,829	154,255	8,475,031	7,754,662
Excess (deficiency) of income over expenditures for the year	$ (86,787)	53,399	(14,461)	(10,206)	(5,216)	(34,389)	14,746	(82,914)	635,575

MASC
Manitoba Agricultural Services Corporation

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Manitoba Agricultural Services Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgements have been made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by the Auditor General for Manitoba, whose opinion is included herein. The Auditor General has access to the Board of Directors, with or without management present, to discuss the results of their audit and the quality of financial reporting of the corporation.

Original signed by:

Neil Hamilton
President &
Chief Executive Officer

June 15, 2007

Original signed by:

Jim Lewis
Vice President,
Finance & Administration

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of Manitoba Agricultural Services Corporation

We have audited the balance sheet of the Manitoba Agricultural Services Corporation as at March 31, 2007, the statements of operations and funds retained and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 15, 2007

BALANCE SHEET

For the Year Ended March 31, 2007 (in thousands)

	2007	2006
ASSETS:		
Cash	$ 1,538	$ –
Investments *(Notes 3(B) & 7)*	193,454	145,730
Accounts receivable *(Note 8)*	22,696	13,453
Prepaid expenses	93	126
Loans receivable *(Note 9)*	300,419	314,623
Real estate *(Note 11)*	806	1,161
Property and equipment *(Note 12)*	305	351
	$ 519,311	$ 475,444
LIABILITIES AND FUNDS RETAINED:		
Bank indebtedness	$ –	$ 1,794
Reinsurance premiums payable *(Notes 13 & 14)*	3,056	1,099
Claims payable *(Note 15)*	12,411	19,332
Accounts payable and accrued liabilities *(Note 16)*	11,138	11,227
Provision for losses on guaranteed loans *(Note 22)*	12,244	11,130
Advances from the Province of Manitoba *(Note 18)*	326,478	342,820
Deferred revenue *(Note 19)*	305	351
Funds retained	153,679	87,691
	$ 519,311	$ 475,444

Approved by the Board:

Original signed by:

John S. Plohman
Chair

Original signed by:

Freida Krpan
Vice Chair

STATEMENT OF OPERATIONS AND FUNDS RETAINED

For the Year Ended March 31, 2007 (in thousands)

	2007	2006
REVENUE:		
Insurance premiums *(Note 3(I))*		
Insured producers	$ 58,848	$ 41,445
Government of Canada	42,507	29,710
Province of Manitoba	28,336	19,800
	129,691	90,955
Interest from loans	20,444	20,547
Other contributions - Government of Canada	6,894	9,191
Other contributions - Province of Manitoba	36,301	32,483
Investment income	6,782	7,259
Real estate and other income	1,040	1,144
Reinsurance recoveries *(Notes 13 & 14)*	118	89,470
Total revenue	201,270	251,049
EXPENDITURE:		
Insurance indemnities and compensation payments *(Note 20)*	50,494	304,347
Reinsurance premiums *(Notes 13 & 14)*	18,118	12,877
Interest on borrowed funds	19,621	20,389
Bad debt expense and guaranteed loan losses *(Notes 10 & 22)*	1,688	1,694
Young farmer incentives	1,338	1,400
Farmland school tax rebate payments	26,034	20,614
Other program payments	294	689
Administrative expenses *(Schedule 1)*	17,695	19,678
Total expenditure	135,282	381,688
Income (loss) for the year	65,988	(130,639)
Funds retained, beginning of year	87,691	218,330
Funds retained, end of year	$ 153,679	$ 87,691

STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2007 (in thousands)

	2007	2006
Cash provided by (used for)		
Operating activities		
Income (loss) for year		
Income (loss) before investment interest revenue	$ 59,206	$ (137,898)
Investment interest revenue	6,782	7,259
	65,988	(130,639)
Items not involving cash		
Change in provisions and allowances	478	(825)
Gain on disposal of real estate	(145)	(134)
Amortization of property and equipment	122	146
Loans disbursed	(69,215)	(83,547)
Loan principal received	51,704	113,607
Changes in:		
Accounts receivable	(9,042)	27,967
Prepaid expenses	33	6
Loans receivable	32,223	(16,600)
Reinsurance premiums payable	1,957	(1,750)
Claims payable	(6,921)	67
Accounts payable and accrued liabilities	(205)	462
Cash provided by (used for) operating activities	66,977	(91,240)
Investing activities		
Sale (purchase) of investments	(14,326)	126,022
Net proceeds on sale of real estate	543	342
Purchase of property and equipment	(76)	(139)
Cash provided by (used for) investing activities	(13,859)	126,225
Financing activities		
Advances repaid to the Province of Manitoba	(16,342)	(21,657)
Deferred revenue	(46)	(6)
Cash used for financing activities	(16,388)	(21,663)
Net increase in cash and equivalents	36,730	13,322
Cash and equivalents, beginning of year	57,258	43,936
Cash and equivalents, end of year	93,988	57,258
Cash and equivalents comprised of the following:		
Investments	193,454	145,730
Investments with terms greater than 90 days	101,004	86,678
Investments with terms of 90 days or less	92,450	59,052
Cash (bank indebtedness)	1,538	(1,794)
	$ 93,988	$ 57,258

NOTES TO FINANCIAL STATEMENTS

as at March 31, 2007 (tabular amounts in thousands of dollars)

1. Authority and Purpose

The Manitoba Agricultural Credit Corporation (MACC) was established under *The Agricultural Credit Corporation Act*. The Manitoba Crop Insurance Corporation (MCIC) was established under *The Crop Insurance Act*. As a result of the proclamation of *The Manitoba Agricultural Services Corporation Act*, C.C.S.M. c.A25 on September 1, 2005, MACC and MCIC were amalgamated to form the Manitoba Agricultural Services Corporation (MASC) and the legislation establishing the former corporations was repealed.

MASC provides lending, insurance and other programs and services. Its core programs include direct loans to agriculture producers, loan guarantees, Production Insurance and Hail Insurance. It also delivers the Wildlife Damage Compensation program, Farmland School Tax Rebate and other programs and services for the agricultural industry.

2. Basis of Reporting

MASC's financial statements are presented in accordance with Canadian generally accepted accounting principles.

3. Significant Accounting Policies

(A) Programs

Under the provisions of the applicable legislation, MASC delivers insurance, lending and other programs and services. For financial accounting purposes, all programs are treated as separate operations and are accounted for separately.

(B) Investments

Investments are carried at cost, which approximates market value. Funds in excess of operational needs are invested with the Province of Manitoba, in accordance with Section 52(1) of *The Manitoba Agricultural Services Corporation Act*.

(C) Property and Equipment and Amortization

Property and equipment are reported at cost less accumulated amortization. Property and equipment are amortized on a straight-line basis over their estimated useful life, as follows:

Furniture and Equipment	10 years
Computer Hardware	4 years
Computer Software	4 years
Major Software Development	8 years
Leasehold Improvements	remaining term of lease

(D) Pensions

MASC employees are pensionable under *The Civil Service Superannuation Act*.

Effective April 1, 1998, the former Manitoba Crop Insurance Corporation (MCIC) became a fully funded matching employer. Upon the formation of the Manitoba Agricultural Services Corporation (MASC), the former MCIC employees' current pension obligations to the Civil Service Superannuation Board (CSSB) continued to be matched by MASC.

Prior to amalgamation, the Manitoba Agricultural Credit Corporation (MACC) did not match employees' current service contributions, and instead contributed 50 per cent of the pension disbursements made to retired employees. Effective September 1, 2005, former MACC employees' current pension contributions are matched on a go-forward basis. MASC accrues an unfunded provision for the liability for the employer's share of the former MACC's employees prior to September 1, 2005, including future cost of living adjustments, based on an actuarial valuation. Details of the provision for the pension benefits are outlined in Note 17.

As a matching employer, MASC discharges its pension liability on a current basis and, therefore, has no additional pension obligation. MASC's matching contributions for 2006/2007 totalled $516,563.

(E) Vacation and Severance Pay

MASC employees are entitled to vacation and severance pay in accordance with the terms of the Collective Agreements and corporate policy. The liabilities for vacation and severance pay are recorded based on MASC's best estimates.

(F) Provision for Losses on Loans and Guarantees

The provision for impaired loans is determined annually, through a review of individual accounts. The provision represents management's best estimate of probable losses on receivables. Where circumstances indicate doubt as to the ultimate collectability of principal or interest, specific provisions are established for individual accounts. These accounts are valued at the lower of their recorded value or the estimated net realizable value of the security held for the accounts. In addition to the provision for impaired loans identified on an individual loan basis, MASC establishes a further provision representing management's best estimate of additional probable losses in the entire loan portfolio.

The provisions for losses on loan guarantees are determined annually by a review of each guarantee program. The provisions represent management's best estimate of probable claims against the guarantees. Such provisions are intended to cover principal, accrued and unpaid interest, and any additional recoverable amounts.

Current year provisions for impaired loans and guarantees are charged as an expenditure to bad debt expense and guaranteed loan losses. Actual accounts that have been written off are charged to the appropriate provision.

(G) Real Estate Acquired in Settlement of Loans

Real estate that is acquired through foreclosure and voluntary transfers of titles in the settlement of loans is recorded at the lower of the recorded value of the loan or the appraised value of the real estate at acquisition date. Real estate is reported net of a provision for a decline in real estate values.

(H) Real Estate Under Long-Term Lease

Real estate that was acquired for the purpose of long-term lease to producers through the land lease program is recorded at cost.

(I) Premiums and Government Contributions

MASC recognizes as revenue all premiums earned on insurance policies in force during the year.

The Canada-Manitoba Production Insurance Agreement, which is Annex B to the Canada-Manitoba Implementation Agreement, provides for the cost sharing of the premiums under the Production Insurance program. Premiums for crop loss are shared between the insured producer (40 per cent), the Government of Canada (36 per cent) and the Province of Manitoba (24 per cent). For the previous fiscal year, premiums for crop loss coverage at the 50 per cent level were shared between insured producers (30 per cent), the Government of Canada (42 per cent) and the Province of Manitoba (28 per cent); and premiums for coverage above the 50 per cent level were shared between insured producers (45 per cent), the Government of Canada (33 per cent) and the Province of Manitoba (22 per cent).

In addition to the general premiums sharing provisions noted above, alternative premium sharing arrangements apply for basic Excess Moisture Insurance (EMI), the EMI Zero Deductible Option and the Fall Frost Insurance Pilot program.

(J) Administrative Expenses

Identifiable administrative expenses for all of the programs administered by MASC are charged directly to the specific program. Where the direct charging of administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by MASC's Board of Directors.

The federal-provincial agreement relating to the Production Insurance program referred to in Section (I) of this note, stipulates that administrative expenses, net of any administrative revenues, will be shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

(K) Use of Estimates

The preparation of MASC's financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results may differ from these estimates.

(L) Financial Instruments

MASC's financial instruments consist of cash, accounts receivable, loans receivable, investments, accounts payable and advances from the Province of Manitoba.

Credit Risk:
MASC provides direct loans to clients in the normal course of operations. Credit reviews of individual clients are carried out on a continuing basis, thereby providing estimated provisions for contingent credit losses.

Interest Rate Risk:
Interest rate risk is the risk to MASC's earnings that arises from fluctuations in interest rates. During the year ended March 31, 2007, MASC did not utilize derivative financial instruments to reduce its exposure to interest rate risk.

Fair Value of Financial Instruments:
Financial instruments are valued at cost, with adjustments for any applicable allowance for doubtful accounts. This is considered to be equivalent to fair value and applies to cash, investments, other receivables, accounts payable, and accrued liabilities. Fair value of loans receivable and advances from the Province of Manitoba are disclosed in their respective notes.

4. Wildlife Damage Compensation Program

MASC administers the Wildlife Damage Compensation program, which compensates producers for 80 per cent of damage to agricultural crops and products caused by waterfowl or wildlife (big game animals), and the injury or death of domestic livestock caused by natural predators. Compensation and all administrative expenses are shared by the Government of Canada (60 per cent) and the Province of Manitoba (40 per cent).

5. Farmland School Tax Rebate Program

In April 2005, MASC became responsible for the administration of the Farmland School Tax Rebate program. The purpose of the program is to assist Manitoba farmland owners by providing a rebate of 60 per cent of the school tax paid on farmland in 2006. The rebate was increased from 50 per cent in 2005. The program provides a three-year time frame for claiming rebates. Recorded rebate payments of $26,034,000 include a provision of $4,431,000 for 2006 rebates, which have not yet been applied for. In addition, a provision of $3,016,000 remains for 2005 rebates. The Province of Manitoba pays for the full cost of the program.

6. Other Programs

Manitoba Agriculture Weather Service Consortium

In March 2005, MASC became responsible for the administration of the Manitoba Agriculture Weather Service Consortium. The purpose of this initiative is to establish a network of weather stations, which will provide the regional weather data that is required to forecast pest and plant disease outbreaks and moisture conditions for crop production. A total of $129,000 in administrative expenses was incurred for the year ended March 31, 2007 (2006 - $185,000). Funding for this project was provided to MASC by the Manitoba Association of Agricultural Societies.

Expanded Manitoba Soil Survey

In April 2005, MASC became responsible for the administration of the Expanded Manitoba Soil Survey project. The purpose of this project is to provide detailed soil surveys in selected rural municipalities to facilitate sustainable agricultural development. A total of $216,000 in administrative expenses was incurred for the year ended March 31, 2007 (2006 - $562,000). Funding for this project was provided to MASC by the Manitoba Association of Agricultural Societies.

ALUS: An Ecological Goods and Services Research Project – Manitoba

In December 2005, MASC became responsible for the administration of ALUS: An Ecological Goods and Services Research Project – Manitoba in the RM of Blanshard (ALUS stands for Alternative Land Use Services). The goal of this project is to test and evaluate the concept of paying producers for specified land management practices that are determined to produce/maintain environmental benefits. Producers' payments totalled $294,000 and were funded by Keystone Agricultural Producers (KAP). A total of $82,000 in administrative expenses was incurred for the year ended March 31, 2007 (2006 - $52,000), which was jointly funded by the Manitoba Association of Agricultural Societies ($32,500) and the Province of Manitoba's Covering New Ground Initiative ($49,500).

7. Investments

MASC's investments as of March 31, 2007 consist of the following:

INVESTMENT MATURITY TERMS	AVERAGE INTEREST RATE	PRODUCTION INSURANCE PROGRAM	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	2007 TOTAL	2006 TOTAL
1 year	4.087%	$ 146,922	23,538	5,294	$ 175,754	$ 110,730
2 years	3.362%	8,300	2,500	–	10,800	19,200
3 years	3.992%	–	2,700	–	2,700	10,800
4 years	3.874%	–	2,700	–	2,700	2,700
5 years	4.180%	–	1,500	–	1,500	2,300
	4.043%	$ 155,222	32,938	5,294	$ 193,454	$ 145,730

8. Accounts Receivable

MASC's accounts receivable as of March 31, 2007 consist of the following:

	PRODUCTION INSURANCE PROGRAM	LENDING PROGRAMS	HAIL INSURANCE PROGRAM	FARMLAND SCHOOL TAX REBATE PROGRAM	OTHER PROGRAMS	2007 TOTAL	2006 TOTAL
Insured producers	$ 2,694	–	761	1	–	$ 3,456	$ 883
Government of Canada	5,816	–	–	–	183	5,999	1,949
Province of Manitoba	9,105	–	–	2,540	–	11,645	8,409
Accrued investment interest	935	–	247	33	–	1,215	860
Reinsurance receivable	269	–	–	–	–	269	1,105
Other	85	18	–	–	9	112	247
	$ 18,904	18	1,008	2,574	192	$ 22,696	$ 13,453

9. Loans Receivable

MASC's loans receivable as of March 31, 2007 consist of the following:

		2007	2006
Amounts are due over the following terms:			
1 year	Accrued interest	$ 9,882	$ 10,221
	Arrears	16,668	33,141
	Prepayments	(9,880)	(10,648)
	Regular instalments	43,221	52,620
		59,891	85,334
2 years	Regular instalments	30,710	29,709
3 years	Regular instalments	31,221	26,841
4 years	Regular instalments	29,512	26,236
5 years	Regular instalments	23,847	23,118
Over 5 years	Regular instalments	154,989	153,643
		330,170	344,881
Less: Provisions for impaired loans *(Note 10)*		29,751	30,258
		$ 300,419	$ 314,623

The approximate fair value of loans receivable as of March 31, 2007 is $320,380,000 (2006 – $335,667,200). Fair value is based on expected future cash flows discounted by current interest rates for loans with similar terms and credit risk.

Terms of Loans Receivable

All loans have fixed rates, with an average yield breakdown as follows:

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
4.0% and lower	$ 2	$ 12,417	$ 12,419
4.01% to 5.0%	1,714	11,394	13,108
5.01% to 6.0%	20,713	40,916	61,629
6.01% to 7.0%	150,431	14,007	164,438
7.01% to 8.0%	72,465	772	73,237
More than 8.0%	5,258	81	5,339
	$ 250,583	$ 79,587	$ 330,170

*Includes BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing Program loans

Loans maturities are as follows:

	AVERAGE INTEREST RATE	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
Less than 5 years	5.763%	$ 47,414	$ 58,223	$ 105,637
5 to 10 years	6.645%	60,809	14,165	74,974
10 to 15 years	6.839%	73,674	4,393	78,067
15 to 20 years	6.895%	53,448	2,575	56,023
20 to 25 years	6.706%	15,238	231	15,469
		$ 250,583	$ 79,587	$ 330,170

*Includes BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing Program Loans

10. Provisions For Impaired Loans

	REGULAR PROGRAM LOANS	SPECIAL ASSISTANCE LOANS*	TOTAL LOANS
Beginning provision balance	$ 15,626	$ 14,632	$ 30,258
Loans written off	(687)	(42)	(729)
Provision (recovery)	576	(354)	222
Ending provision balance	$ 15,515	$ 14,236	$ 29,751

*Includes BSE Recovery, Producer Recovery, Flood Proofing Assistance and Comprehensive Refinancing Program Loans

11. Real Estate

Based on a review of the current real estate portfolio, MASC has established a provision of $14,000 (2006 - $57,000) to provide for future declines in real estate values. This provision represents management's best estimate of probable losses on sale of real estate.

	2007	2006
Real estate book value	$ 820	$ 1,218
Provision for decline in real estate value	(14)	(57)
	$ 806	$ 1,161

12. Property and Equipment

	2007		2006	
	COST	ACCUMULATED AMORTIZATION	COST	ACCUMULATED AMORTIZATION
Furniture and equipment	$ 359	$ 177	$ 404	$ 191
Computer hardware	356	318	449	389
Computer software	182	105	125	86
Major software development	2,907	2,907	2,907	2,895
Leasehold improvements	298	290	298	271
	$ 4,102	$ 3,797	$ 4,183	$ 3,832
Net book value		$ 305		$ 351

13. Reinsurance – Production Insurance Program

In accordance with the terms of the reinsurance agreement between the Government of Canada and the Province of Manitoba, the two levels of government maintain separate reinsurance accounts. MASC pays reinsurance premiums to the Crop Reinsurance Fund of Canada for Manitoba, and to the Crop Reinsurance Fund of Manitoba, based on the amount of premiums collected and the cumulative financial balance of the program. When indemnities paid to insured producers exceed the funds retained by MASC, after accounting for private sector reinsurance recoveries, transfers are made from the reinsurance funds to MASC. Interest is neither credited nor charged to the respective reinsurance funds by the Government of Canada or the Province of Manitoba. Surpluses in the Crop Reinsurance Fund of Canada for Manitoba and the Crop Reinsurance Fund of Manitoba are held by the Government of Canada and the Province of Manitoba, respectively.

	CROP REINSURANCE FUND OF CANADA FOR MANITOBA		CROP REINSURANCE FUND OF MANITOBA	
	2007	2006	2007	2006
Opening surplus (deficit)	$ 831	$ 427	$ 22,850	$ 22,446
Current year premium contributions (net)*	587	404	587	404
Net book value	$ 1,418	$ 831	$ 23,437	$ 22,850

*Current year reinsurance premium contributions are shown net of an allowance for uncollectible accounts.

MASC entered into a one-year private sector reinsurance agreement for the Production Insurance program in addition to the financial protection provided by the federal-provincial reinsurance agreement noted above. Through the private sector reinsurance agreement, 23 reinsuring companies assume 90 per cent of losses (including deemed loss adjustment expenses) from 15 to 25 per cent of Production Insurance liability (coverage). Reinsurance premiums were $16,063,000 (2006 - $11,147,000). Private sector reinsurance recoveries totalled $118,000 (2006 - $89,470,000), which was for prior year reinsurance claims.

14. Reinsurance – Hail Insurance Program

MASC entered into a one-year private sector reinsurance agreement for the Hail Insurance program. Through the agreement, 13 reinsuring companies assume 90 per cent of hail insurance losses (including loss adjustment expenses) from 125 to 200 per cent of gross premium. Reinsurance premiums were $881,000 (2006 - $922,000). There were no reinsurance recoveries in 2007.

15. Claims Payable

Claims payable of $12,411,000 (2006 - $19,332,000) includes: a provision of $3,900,000 (2006 - $9,270,000) for the Production Insurance program, which represents the liability for unpaid claims and the over-winter deterioration of unharvested crops; a provision of $7,447,000 (2006 - $4,754,000) for outstanding Farmland School Tax Rebate payments; and a provision of $274,000 (2006 - $381,000) for the Wildlife Damage Compensation program. The balance represents actual claims payable.

16. Accounts Payable and Accrued Liabilities

Accounts payable at March 31, 2007 include the following:

	PRODUCTION INSURANCE PROGRAM	LENDING PROGRAMS	WILDLIFE DAMAGE COMPENSATION PROGRAM	OTHER PROGRAMS	2007 TOTAL	2006 TOTAL
Government of Canada	$ –	–	–	–	$ –	$ 241
Province of Manitoba	1,308	–	18	–	1,326	1,535
Accrued vacation pay	863	–	–	–	863	859
Provision for pension obligations *(Note 17)*	6,124	–	–	–	6,124	5,976
Provision for severance obligations	1,386	–	–	–	1,386	1,333
Other	858	338	33	210	1,439	1,283
	$ 10,539	338	51	210	$ 11,138	$ 11,227

17. Provision for Employee Pension Benefits

MASC employees are eligible for defined benefit pensions under *The Civil Service Superannuation Act.* As outlined in Note 3(D), MASC contributes 50 per cent of the pension disbursements made to retired employees of the former Manitoba Agricultural Credit Corporation (MACC) for service up to September 1, 2005. Additionally, MASC has a pension liability for employees whose earnings are out of the scope of the Fund plan.

Actuarial valuations are to be carried out every three years to provide an estimate of the accrued liability for unfunded pension benefits. An actuarial valuation of the pension obligations as at December 31, 2004 was conducted by Ellement & Ellement. The key actuarial assumptions were a rate of return of 6.50 per cent (2001 – 6.75 per cent), 2.50 per cent inflation (2001 – 2.75 per cent), salary rate increases of 3.25 per cent (2001 – 3.50 per cent) and post retirement indexing at two thirds of the inflation rate. The accrued benefit cost method with salary projection was used and the liabilities have been extrapolated to March 31, 2007 using a formula provided by the actuary. The following table provides the calculation of the liability for unfunded pension benefits of $6,124,000 (2006 - $5,976,000):

	2007	2006
Accrued pension liability – beginning of year	$ 5,976	$ 6,210
Experience gain	–	(499)
Benefits accrued	(37)	102
Interest accrued on benefits	418	406
Benefits paid	(233)	(243)
Accrued pension liability – end of year	$ 6,124	$ 5,976

18. Advances from the Province of Manitoba

In accordance with established Province of Manitoba practices, MASC must repay advances according to the amortization schedule or be subject to a prepayment penalty. The prepayment penalty is based on the net present value of the future cash flows of the loan being prepaid less the net present value of a loan with the same terms, except having an interest rate of a semi-annual, non-callable Province of Manitoba bond with the same term to maturity.

Advances are repayable in equal annual blended instalments of principal and interest, with interest rates ranging from 4.75 per cent to 8.00 per cent. The average interest rate of the entire portfolio at March 31, 2007 was 5.656 per cent (2006 - 5.752 per cent).

MATURITIES OF PRINCIPAL OVER THE FOLLOWING TERMS	2007	2006
1 year	$ 61,010	$ 62,213
2 years	39,204	38,229
3 years	36,548	36,272
4 years	33,095	33,425
5 years	32,654	29,711
More than 5 years	123,967	142,970
	$ 326,478	$ 342,820

The approximate fair value of advances from the Province of Manitoba at March 31, 2007 is $339,611,000 (2006 - $357,312,000). Fair values for the advances from the Province of Manitoba are based on the net present value of expected future cash flows, discounted by current interest rates for loans with similar terms and credit risk.

19. Deferred Revenue

Deferred revenue represents administrative subsidies provided by the Government of Canada and the Province of Manitoba and is used to acquire property and equipment. Deferred revenue is recognized as revenue when amortization is recorded on property and equipment.

20. Indemnities

Production Insurance indemnities of $44,323,000 (2006 - $297,377,000) represent $43,206,000 for the 2006/2007 crop year and $1,117,000 as a result of a shortfall in the estimate of claims payable set up as of March 31, 2006.

21. Lease Agreements

MASC has entered into a number of long-term lease agreements. The minimum payments under these leases are as follows:

YEAR ENDING MARCH 31	LEASE AGREEMENT AMOUNTS
2008	$ 380
2009	139
2010	99
2011	42
2012 and beyond	3
	$ 663

22. Contingencies

(A) Contingent liabilities and the corresponding provisions for MASC's loan guarantee programs as of March 31, 2007 are shown below.

	CONTINGENT LIABILITY		PROVISION FOR LOSSES	
	2007	2006	2007	2006
Operating Credit Guarantees	$ 9,349	$ 7,296	$ 1,502	$ 1,195
Manitoba Livestock Associations Loan Guarantees	4,683	4,377	1,171	1,094
Diversification Loan Guarantees	7,609	10,440	1,141	1,566
Enhanced Diversification Loan Guarantees	56,196	48,502	8,430	7,275
	$ 77,837	$ 70,615	$ 12,244	$ 11,130

The Operating Credit Guarantee (OCG) program was introduced on April 1, 2003, replacing the Guaranteed Operating Loan program. The OCG provides the participating lending institution a guarantee of 25 per cent of each individual loan made under this program. The maximum allowable individual loan is $450,000, with $700,000 available for partnerships, corporations and co-operatives.

The Manitoba Livestock Associations Loan Guarantee program was introduced in 1991. For each association, MASC provides a guarantee to the lending institutions based on 25 per cent of the amount of the loan to a maximum guarantee of $1,250,000.

The Diversification Loan Guarantee program was introduced in December 1995 to provide guarantees on loans made by participating lenders for diversification or farm value-added activities. Under this program, 25 per cent of the private lender's loan portfolio was guaranteed. The maximum allowable individual loan was $3.0 million.

In 2001, the Enhanced Diversification Loan Guarantee program replaced the Diversification Loan Guarantee program. Guarantees are now based on 25 per cent of the original principal amount of each individual loan, with no maximum loan amount.

(B) MASC provides surety bonds for certain agricultural agencies in the amount of $83,130 (2006 - $53,781). No contingency provision is made for these undertakings in the financial statements. Any payments arising from claims under these guarantees will be recorded as an expense in the period that such claims occur.

(C) As at March 31, 2007 MASC had approved but not disbursed loans in the amount of $16,621,358 (2006 - $21,204,999).

(D) Various legal actions for additional indemnity payments have been commenced by insured producers against MASC. The outcome of these claims cannot be determined at this time.

23. Actuarial Review

An actuarial certification of the Production Insurance program was completed by Tillinghast - Towers Perrin, consulting actuaries, in June 2003. The actuarial review of MASC concludes that the methodologies used to establish the probable yields for insured crops meet the requirements of the federal Crop Insurance Regulation; that the premium rate methodologies are actuarially sound and are sufficient to meet expected claim costs; and that the program meets the financial self-sustaining criteria defined by the federal government.

A full actuarial certification has to be completed every five years with any new programs or program changes requiring approval in the interim.

24. Related – Party Transactions

MASC is related in terms of common ownership to all Province of Manitoba departments, agencies and Crown corporations. MASC enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Interest earned on investments held by the Province of Manitoba amounted to $6,498,000 (2006 - $7,386,000). Included in accounts receivable (Note 8) is $1,215,000 (2006 - $860,000) of accrued interest related to these investments.

25. Comparative Figures

The amalgamation of the Manitoba Agricultural Credit Corporation and the Manitoba Crop Insurance Corporation resulted in the consolidation of financial reporting as if the corporations were one entity as of April 1, 2005. Certain 2006 figures have been reclassified to conform to the 2007 financial statement presentation.

26. Subsequent Events

In May 2007, MASC was authorized by the Minister of Agriculture, Food and Rural Initiatives to administer the Assiniboine Valley Producers' Flood Assistance program. The program is being funded by the Government of Manitoba for the purpose of providing assistance to agricultural producers operating along the Assiniboine River between the Shellmouth Reservoir and Brandon. The program covers losses to crops and the inability to seed crops resulting from flood damage in 2005 and 2006, due to the interaction of unexpected rainfall conditions and the impact of the operation of the Shellmouth dam on the river flows.

SCHEDULE 1

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Year Ended March 31, 2007 (in thousands)

	2007	2006
Adjustors' wages, benefits and expenses	$ 3,476	$ 5,126
Advertising	225	297
Amortization expense	122	146
Appeal Tribunal	15	22
Audit fees and legal	318	249
Directors' remuneration and expenses	148	149
Furniture and equipment	166	549
Information technology	778	803
Office rental and utilities	925	921
Other administrative expenses	385	471
Other administrative recoveries	(490)	(436)
Postage	183	178
Printing and office supplies	282	255
Salaries and employee benefits	10,402	10,130
Telephone	215	215
Travel and vehicle expenses	545	603
Total administrative expenses	$ 17,695	$ 19,678
Administrative expenses allocation:		
Lending Programs	$ 5,086	$ 3,999
Production Insurance Program	9,715	12,510
Hail Insurance Program	1,712	1,563
Wildlife Damage Compensation Program	371	352
Farmland School Tax Rebate Program	382	405
Other Programs	429	849
Total administrative expenses	$ 17,695	$ 19,678

SCHEDULE 2
SCHEDULE OF OPERATIONS AND FUNDS RETAINED

For the Year Ended March 31, 2007 (in thousands)

	LENDING PROGRAMS		PRODUCTION INSURANCE PROGRAM		HAIL INSURANCE PROGRAM	
	2007	2006	2007	2006	2007	2006
REVENUE:						
Insurance premiums *(Note 3 (1))*						
Insured persons	$ –	$ –	$ 46,602	$ 31,270	$ 12,246	$ 10,175
Government of Canada	–	–	42,507	29,710	–	–
Province of Manitoba	–	–	28,336	19,800	–	–
	–	–	117,445	80,780	12,246	10,175
Interest from loans	20,444	20,547	–	–	–	–
Other contributions - Government of Canada	–	–	5,822	7,495	–	–
Other contributions - Province of Manitoba	5,457	5,431	3,893	5,015	–	–
Investment income	716	853	4,621	5,411	1,264	875
Real estate and other income	318	345	–	–	–	–
Reinsurance recoveries *(Notes 13 & 14)*	–	–	118	89,470	–	–
Total revenue	26,935	27,176	131,899	188,171	13,510	11,050
EXPENDITURE:						
Insurance indemnities and compensation payments *(Note 20)*	–	–	44,323	297,377	4,755	5,166
Reinsurance premiums *(Notes 13 & 14)*	–	–	17,237	11,955	881	922
Interest on borrowed funds	19,621	20,389	–	–	–	–
Bad debt expense and guaranteed loan losses *(Notes 10 & 22)*	1,443	1,234	242	470	3	(9)
Young farmer incentives	1,338	1,400	–	–	–	–
Farmland school tax rebate payments	–	–	–	–	–	–
Other program payments	–	29	–	–	–	–
Administrative expenses *(Schedule 1)*	5,086	3,999	9,715	12,510	1,712	1,563
Total expenditure	27,488	27,051	71,517	322,312	7,351	7,642
Income (loss) for the year	(553)	125	60,382	(134,141)	6,159	3,408
Funds retained, beginning of year	(38,763)	(38,888)	98,824	232,965	27,630	24,222
Funds retained, end of year	$ (39,316)	$ (38,763)	$ 159,206	$ 98,824	$ 33,789	$ 27,630

WILDLIFE DAMAGE COMPENSATION PROGRAM *(NOTE 4)*		FARMLAND SCHOOL TAX REBATE PROGRAM *(NOTE 5)*		OTHER PROGRAMS *(NOTE 6)*		TOTAL	TOTAL
2007	2006	2007	2006	2007	2006	2007	2006
$ –	$ –	$ –	$ –	$ –	$ –	$ 58,848	$ 41,445
–	–	–	–	–	–	42,507	29,710
–	–	–	–	–	–	28,336	19,800
–	–	–	–	–	–	129,691	90,955
–	–	–	–	–	–	20,444	20,547
1,072	1,289	–	–	–	407	6,894	9,191
715	867	26,235	20,906	1	264	36,301	32,483
–	–	181	113	–	7	6,782	7,259
–	–	–	–	722	799	1,040	1,144
–	–	–	–	–	–	118	89,470
1,787	2,156	26,416	21,019	723	1,477	201,270	251,049
1,416	1,804	–	–	–	–	50,494	304,347
–	–	–	–	–	–	18,118	12,877
–	–	–	–	–	–	19,621	20,389
–	–	–	–	–	(1)	1,688	1,694
–	–	–	–	–	–	1,338	1,400
–	–	26,034	20,614	–	–	26,034	20,614
–	–	–	–	294	660	294	689
371	352	382	405	429	849	17,695	19,678
1,787	2,156	26,416	21,019	723	1,508	135,282	381,688
–	–	–	–	–	(31)	65,988	(130,639)
–	–	–	–	–	31	87,691	218,330
$ –	$ –	$ –	$ –	$ –	$ –	$153,679	$ 87,691

Management's Responsibility for Financial Reporting

The preparation of the financial statements and other information contained in this Annual Report is the responsibility of management of the Manitoba Arts Council.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles using management's estimates and judgements where appropriate. The financial information shown elsewhere in this Annual Report is consistent with information contained in the financial statements.

Management of the Manitoba Arts Council has developed and maintains accounting systems and internal controls designed to provide reasonable assurance of the reliability of the financial information, and that assets are appropriately accounted for and adequately safeguarded.

The financial statements for the year ended March 31, 2007 have been audited by Magnus & Buffie in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of their audit and their opinion on the presentation of the information included in the financial statements.

The Council, through its Audit/Finance/Human Resource Committee, carries out its responsibility for the review and approval of the financial statements and the Annual Report. The Audit/Finance/Human Resource Committee reports to Council who approves these financial statements and the Annual Report prior to release.

Douglas Riske
EXECUTIVE DIRECTOR

Auditor's Report

To the Members of the Council,

Manitoba Arts Council

We have audited the statement of financial position of Manitoba Arts Council as at March 31, 2007 and the statements of revenues and expenses and changes in fund balances for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus and Buffie,
CHARTERED ACCOUNTANTS

May 24, 2007

MANITOBA ARTS COUNCIL

Statement of Financial Position

AS AT MARCH 31, 2007

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2007 TOTAL	2006 TOTAL
Assets				
Current Assets				
Cash and short-term investments (note 3)	$560,689	$0	$560,689	$118,523
Accrued interest income	14,452	0	14,452	13,850
Accounts receivable	39,217	0	39,217	61,703
Prepaid expenses	16,823	0	16,823	96,662
	631,181	0	631,181	290,738
Recoverable, Province of Manitoba (note 11)	36,000	0	36,000	36,000
Recoverable, Province of Manitoba	4,000	0	4,000	15,000
Long term investments (note 4)	400,000	0	400,000	500,000
Musical instruments	104,796	0	104,796	104,796
Works of visual art	329,995	0	329,995	329,995
Capital assets (note 5)	75,192	0	75,192	91,143
Interfund balances	(69,314)	69,314	0	0
Total Assets	$1,511,850	$69,314	$1,581,164	$1,367,672
Liabilities and Fund Balances				
Current Liabilities				
Accounts payable and accrued liabilities	111,200	0	111,200	167,182
Commitments for grants and programs	597,283	6314	603,597	444,246
	708,483	6314	714,797	611,428
Investments in musical instruments and works of visual art	434,791	0	434,791	434,791
	1,143,274	6314	1,149,588	1,046,219
Fund Balances				
Invested in capital assets	75,192	0	75,192	91,143
Internally restricted (note 7)	77,000	63,000	140,000	158,000
Unrestricted	216,384	0	216,384	72,310
	368,576	63,000	431,576	321,453
Lease Commitment (note 8)				
Total Liabilities and Fund Balances	$1,511,850	$69,314	$1,581,164	$1,367,672

On behalf of Council

CHAIR

EXECUTIVE DIRECTOR

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Revenues and Expenses

AS AT MARCH 31, 2007

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2007 TOTAL	2006 TOTAL
Revenues				
Province of Manitoba - Operating Grant (note 9)	$8,411,400	$0	$8,411,400	$8,411,400
Province of Manitoba - Bridges Grant	0	875,000	875,000	885,000
Province of Manitoba - Education Grant	50,000	0	50,000	50,000
Investment Income	114,105	0	114,105	70,453
Other	39,002	0	39,002	45,972
	8,614,507	875,000	9,489,507	9,462,825
Expenses				
ORGANIZATIONS				
Annual & Operating Grants				
Arts Training Schools	151,000	0	151,000	149,500
Arts Service Organizations	179,900	0	179,900	125,900
Dance Companies	967,000	0	967,000	942,000
Music Organizations	1,170,000	0	1,170,000	1,153,000
Theatre Companies	1,602,000	0	1,602,000	1,647,000
Visual Arts Organizations	813,000	0	813,000	789,000
Book Publishers	255,500	0	255,500	255,900
Periodical Publishers	207,500	0	207,500	207,000
	5,345,900	0	5,345,900	5,269,300
Touring Grants	327,500	0	327,500	294,000
Presentation Grants	293,781	0	293,781	279,606
Technical Assistance Grants	0	0	0	35,000
Special Grants	22,500	0	22,500	20,854
Management & Governance	0	70,429	70,429	0
	5,989,681	70,429	6,060,110	5,898,760
INDIVIDUALS				
Professional Development Grants	278,090	0	278,090	211,743
Creation and Production Grants	911,498	0	911,498	790,080
Touring Grants	30,000	0	30,000	9,500
Aboriginal Arts Grants	0	117,642	117,642	144,460
	1,219,588	117,642	1,337,230	1,155,783
ARTS DEVELOPMENT				
Residencies	305,667	0	305,667	337,650
Award of Distinction	30,000	0	30,000	30,000
Arts Stabilization	0	0	0	200,000
Special Projects	44,192	0	44,192	36,070
Special Opportunities	108,296	0	108,296	0
Community Connections	0	119,636	119,636	113,779
Arts Education Initiatives	0	(5,000)	(5,000)	20,000
ArtsSmarts Grant	0	30,000	30,000	10,000
	488,155	144,636	632,791	747,499
	7,697,424	332,707	8,030,131	7,802,042
Arts Program Delivery Expenses (Schedule)	571,989	122,805	694,794	828,465
	8,269,413	455,512	8,724,925	8,630,507
Administrative Expenses (Schedule)	670,892	0	670,892	690,689
	8,940,305	455,512	9,395,817	9,321,196
Rescinded Commitments	(16,433)	0	(16,433)	(36,465)
Total expenses	8,923,872	455,512	9,379,384	9,284,731
Excess (Expenses) Revenues for the Year	$(309,365)	$419,488	$110,123	$178,094

The accompanying notes are an integral component of these financial statements.

MANITOBA ARTS COUNCIL

Statement of Changes in Fund Balances

AS AT MARCH 31, 2007

	GRANTS & PROGRAM FUND INVESTED IN CAPITAL ASSETS	GENERAL (NOTE 7)	BRIDGES FUND (NOTE 7)	2007 TOTAL	2006 TOTAL
Fund Balances, Beginning of Year	$91,143	$127,310	$103,000	$321,453	$143,359
Excess (expenses) revenues for the year	(26,259)	(283,106)	419,488	110,123	178,094
Additions to capital assets	10,308	(10,308)	0	0	0
Interfund transfer (note 7)	0	459,488	(459,488)	0	0
Fund Balances, End of Year	$75,192	$293,384	$63,000	$431,576	$321,453

MANITOBA ARTS COUNCIL

Notes to Financial Statements

AS AT MARCH 31, 2007

1. Authority & Purpose

The Arts Council Act established the Manitoba Arts Council in 1965 to "...promote the study, enjoyment, production and performance of works in the arts." The Council is a registered charity (public foundation) and, as such, is exempt from income taxes under the Income Tax Act (Canada).

2. Summary of Significant Accounting Policies and Reporting Practices

a) Basis of Presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles within the framework of the accounting policies summarized in these notes to the financial statements.

b) Fund Accounting

The financial statements disclose the activities of the following funds maintained by the Council:

i) Grants & Program Fund

This fund reflects the disbursement and administration of grants and programs in the spirit of the aims and objects of Council defined in The Arts Council Act.

ii) Bridges Fund

This fund was established in June 1999 to generate new initiatives in art development and practice, enhance public access to the arts and enhance administrative and governance skills for arts organizations. As well, the program will encourage new partnerships, provide more opportunities for professional development and assist in audience development. The excess of revenues over expenditures, if any, is transferred to the Grants & Programs Fund at an amount determined by the Council to fulfill similar goals and objectives.

c) Revenue Recognition

The Council follows the deferral method accounting for revenues. Externally restricted revenues are deferred and recognized as revenue in the applicable fund in the year in which the related expenses are incurred. Unrestricted and internally restricted revenues are recognized as revenue in the applicable fund when received or receivable.

d) Grant Commitments

Grants and program commitments are reflected as expenses when funding is formally approved and committed by Council. Cancellations of prior years' grant expenses are reflected as rescinded grant commitments.

e) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Office furniture and equipment	5-10 years
Computer hardware and software	3 years

f) Investments

Investments are recorded at the lower of cost and market value if any decline in market value is considered to be other than temporary.

g) Musical instruments and works of visual art

Musical instruments and works of visual art are shown on the Statement of Financial Position as assets at cost with an offsetting credit to investments in musical instruments and works of visual art. The art bank collection was re-appraised in 2005, at a current market value of $449,222.00.

h) Financial Instruments

The Council's financial instruments consist of cash, receivables, investments, accounts payable and accrued liabilities and unpaid commitments. Unless otherwise noted, it is management's opinion that the carrying value of these instruments approximates their fair value and that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of certain revenue and expenses during the year. Actual results could differ from these estimates.

3. Cash and short term investments

Cash and short term investments consist of $57,133 cash (2006 - $92,682) and short term investments of $93,556 and $410,000, respectively (2006 - $25,841). The short term investments mature June 15, 2007 and May 2, 2007 with yields of 4.0%.

4. Long Term Investments

	2007		2006	
	COST	MARKET	COST	MARKET
Manitoba Builder Bonds (Due Jun 15, 2007, yielding 3.8%)	200,000	204,997	200,000	205,097
Manitoba Hydro Bonds (Due Jun 15, 2011, yielding 4.0%)	100,000	105,736	200,000	202,018
Royal Bank of Canada Issuer Extendible Step-Up Med. Term Notes (Yielding 3.20%-4.25%, Maturing Sept 2006 to Sept 2010)	100,000	99,972	100,000	98,217
	400,000	410,705	500,000	505,332

5. Capital Assets

	2007			2006
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE	NET BOOK VALUE
Office furniture and equipment	128,613	62,877	65,736	77,747
Computer hardware and software	258,148	248,692	9,456	13,396
	386,761	311,569	75,192	91,143

6. Works of Visual Art

The Manitoba Arts Council moved selected works from the Visual Art Bank to the Art Gallery of Southwestern Manitoba. The Manitoba Foundation for the Arts awarded a grant to the Manitoba Arts Council to provide to the Art Gallery of Southwestern Manitoba for the care, storage and exhibition of those works. An art bank loan agreement between the Council and the Art Gallery of Southwestern Manitoba is currently being negotiated.

7. Interfund Transfers and Internally Restricted Fund Balances

In 2007, the Council members internally restricted $140,000 to be used as follows:

	GRANTS & PROGRAMS	BRIDGES
Technical Assistance	20,000	
Capital Fund Allocation	30,000	
Advocacy Initiatives	10,000	
Contact (Touring Development)	17,000	
Bridges Program Review		18,000
Arts Education Initiative		15,000
French Language Programs		20,000
Consultations		10,000
	77,000	63,000

These internally restricted amounts are not available for unrestricted purposes without the approval of the members of Council. In addition, $459,488 (2006 - $129,676) was transferred from the Bridges Fund to the Grants & Programs Fund in order to fund the cash outlays for Grants to Individual Artists and Arts Development Grants.

8. Lease Commitment

Council has entered into an agreement to lease office premises until March 31, 2012. The 2007 basic annual rent was $112,774. The 2008 basic annual rent is estimated to be $113,084. Expenses arising from an escalation clause for taxes, insurance, utilities and building maintenance are in addition to the basic rent.

9. Funding Agreement

The funding agreement with the Province of Manitoba established the terms and conditions of funding for five years ended March 31, 2000. During the term of the agreement, Council was entitled to retain proceeds up to $1,000,000 from the Province of Manitoba. Any proceeds retained in excess of $1,000,000 except for proceeds exempted in the funding agreement, would have been repaid to the Province of Manitoba on demand. In accordance with this Agreement, there were no proceeds repayable to the Province. As at March 31, 2007, the Council was in discussions with the Province regarding the terms of a new funding agreement.

10. Pension Plan

Eligible employees are participants in the Manitoba Civil Service Superannuation Fund. The Council participates on a fully funded basis and its contributions of $9,620 (2006 - $13,645) represent the total obligations for the year.

11. Severance Liability

Effective March 31, 1999, the Manitoba Arts Council, as a Crown organization, is required to record a severance liability. The Province of Manitoba has recognized an opening liability of $36,000 as at April 1, 1998. Any subsequent changes to the severance liability will be the responsibility of Council. As at March 31, 2007, Council recorded a liability of $30,254 (2006 - $25,163). This liability is included in accounts payable and accrued liabilities.

12. Statement of Cash Flow

A statement of cash flow is not presented as part of the financial statements as Council has determined that cash flow information is readily determinable from the other financial statements.

13. Economic Dependence

A substantial portion of the Council's total revenue is derived from the Province of Manitoba in the form of an operating grant.

MANITOBA ARTS COUNCIL

Schedule of Administrative Expenses

FOR THE YEAR ENDED MARCH 31, 2007

	GRANTS & PROGRAMS FUND	
	2007 TOTAL	2006 TOTAL
Salaries and benefits	$426,854	$415,525
Council meetings	56,961	54,270
Rent	56,024	56,429
Amortization	26,259	26,065
Office supplies, printing and stationery	12,086	24,258
Postage, courier and telephone	15,229	17,387
Staff travel and expenses	23,441	18,486
Insurance and sundry	7,797	8,168
Professional fees	29,278	48,462
Equipment repairs and maintenance	1,963	3,414
Total Administrataive Expenses	655,892	672,464
Other Administrative Expenses (Art Bank Administration)	15,000	18,225
	$670,892	$690,689

MANITOBA ARTS COUNCIL

Schedule of Arts Program Delivery Expenses

FOR THE YEAR ENDED MARCH 31, 2007

	GRANTS & PROGRAMS FUND	BRIDGES FUND	2007 TOTAL	2006 TOTAL
Salaries and benefits	$ 371,548	$ 95,978	$467,526	$601,115
Jurors' fees and expenses	72,889	8,559	81,448	78,990
Rent	47,670	9,080	56,750	57,899
Communication	40,296	1,223	41,519	41,139
Advocacy	530	0	530	6,789
Community consultations	6,648	186	6,834	16,280
Staff travel and expenses	3,117	5,359	8,476	12,376
Postage, courier and telephone	7,032	2,245	9,277	9,523
Office supplies	1,058	175	1,233	2,481
Touring development	20,393	0	20,393	0
Sundry	808	0	808	1,873
	$571,989	$122,805	$694,794	$828,465

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KWB KWB CHARTERED ACCOUNTANTS INC.

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AUDITORS' REPORT

To the Board of Commissioners
Manitoba Boxing Commission

We have audited the statement of financial position of Manitoba Boxing Commission as at March 31, 2007 and the statement of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commissioners. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations the organization derives revenue from commissions, licenses and permits, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenue over expense, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

KWB CHARTERED ACCOUNTANTS INC.

KWB Chartered Accountants Inc.

July 3, 2007

MANITOBA BOXING COMMISSION
STATEMENT OF FINANCIAL POSITION
March 31, 2007

	2007	2006
ASSETS		
Current Assets		
Cash	$ 3,434	$ 4,730
Accounts receivable	1,050	3,050
Prepaid expenses	500	500
	4,984	8,280
Property, Plant and Equipment - Note 3	-	-
	$ 4,984	$ 8,280
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 2,650	$ 6,050
Performance bond deposits	2,000	1,000
	4,650	7,050
NET ASSETS (DEFICIENCY)		
Unrestricted	334	1,230
	$ 4,984	$ 8,280

ON BEHALF OF THE BOARD:

.... Chairman

MANITOBA BOXING COMMISSION
STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
Year ended March 31, 2007

	2007	2006
Revenue		
Administrations	$ 3,550	$ -
Commissions, licenses and permits	1,242	5,278
Grant - Province of Manitoba	14,700	14,700
Grant - other	2,621	-
Interest	11	-
	22,124	19,978
Operating expenses		
Administration	722	-
Amortization	1,074	-
Card expenses - boxing	1,797	950
Conferences	9,594	7,540
Dues and subscriptions	1,079	516
Honoraria	3,600	4,200
Professional fees	5,154	5,174
	23,020	18,380
Excess (deficiency) of revenues over expense	(896)	1,598
Unrestricted net assets (deficiency), beginning of year	1,230	(368)
Unrestricted net assets (deficiency), end of year	$ 334	$ 1,230

MANITOBA BOXING COMMISSION
STATEMENT OF CASH FLOWS
Year ended March 31, 2007

	2007	2006
From operating activities		
Excess (deficiency) of revenues over expenses	($ 896)	$ 1,598
Amortization expense	1,074	-
	178	1,598
Net changes in non-cash working capital items	(400)	70
	(222)	1,668
From investing activities		
Acquisition of property, plant and equipment	(1,074)	-
Cash increase	(1,296)	1,668
Cash, beginning of year	4,730	3,062
Cash, end of year	$ 3,434	$ 4,730

Net changes in non-cash working capital items		
Accounts receivable	$ 2,000	($ 2,679)
Accounts payable and accrued liabilities	(3,400)	3,749
Performance bonds	1,000	(1,000)
	($ 400)	$ 70

MANITOBA BOXING COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2007

1. Statutes of Incorporation and Nature of Activities

The commission was incorporated under the provisions of the Province of Manitoba by a proclamation dated October 16, 1983.

The Manitoba Boxing Commission is a commission, pursuant to the Boxing Commission Act, Cap. B80, C.C.S.M., of the Province of Manitoba. The purpose of the organization is to regulate professional boxing matches in the Province of Manitoba in accordance with regulations as set down in the Act.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting policies for not-for-profit organizations and reflect the following policies:

Revenue recognition

Revenues are recognized when they are received or receivable if the amount can be reasonably estimated and its collection is reasonably assured.

Amortization

Property, plant and equipment are accounted for at cost and is amortized 100% in the year of acquisition.

Use of Estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

3. Property, Plant And Equipment

	Original Cost	Accumulated Amortization	Net Book Value
March 31, 2007			
Computer equipment	$ 1,074	$ 1,074	$ -

4. Economic Dependence

The Commission is economically dependent on the Province of Manitoba which provides funding through an annual grant.

Grant Thornton

Grant Thornton LLP
Chartered Accountants
Management Consultants

Auditors' Report

To the Office of the Auditor General

We have audited the statement of financial position of **The Manitoba Centennial Centre Corporation** as at March 31, 2007 and the statement of operations and changes in fund balances, statement of cash flows and the statement of capital projects for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
May 4, 2007

Chartered Accountants

Manitoba Centennial Centre Corporation
Statement of Financial Position

March 31	2007	2006
General Fund		
Assets		
Current		
Cash and bank	$ 349,406	$ 431,231
Term deposits - Province of Manitoba	537,886	710,903
Accounts receivable	145,397	166,309
Operating grant receivable - Province of Manitoba	-	70,000
Capital grant receivable - Province of Manitoba	182,358	-
Inventory	26,241	20,963
Prepaid expenses	77,308	66,134
	1,318,596	1,465,540
Accounts receivable - pension - Province of Manitoba (Note 6)	5,069,000	4,862,000
Accounts receivable - vacation - Province of Manitoba (Note 5)	199,964	199,964
Accounts receivable - severance - Province of Manitoba (Note 4)	307,561	307,561
Capital Assets (Note 7, 17)	566,612	-
	6,143,137	5,369,525
	7,461,733	6,835,065
Restricted Funds (Note 10)		
Assets		
Current		
The Maitland Steinkopf Youth Fund Term deposit - Province of Manitoba	64,410	64,644
The Manitoba Centennial Foundation of the Future Fund Term deposit - Province of Manitoba	50,846	51,297
	115,256	115,941
	$ 7,576,989	$ 6,951,006

Commitments (Note 6)

See accompanying notes to the financial statements.

Manitoba Centennial Centre Corporation
Statement of Financial Position (continued)

March 31	2007	2006
General Fund		
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 438,550	$ 486,342
Accrued vacation liability (Note 5)	204,520	221,258
Capital advances (Note 11)	100,000	281,698
Deferred income and rental deposits	34,389	35,797
	777,459	1,025,095
Pension liability (Note 6)	5,069,000	4,862,000
Accrued severance pay (Note 4)	433,099	424,894
Deferred contributions (Note 8, 17)	370,320	-
Provision for deductible costs on insurance claims (Note 12)	15,000	15,000
	5,887,419	5,301,894
	6,664,878	6,326,989
Fund Balances		
Restricted Funds (Note 10)		
Funds retained		
The Maitland Steinkopf Youth Fund	64,410	64,644
The Manitoba Centennial Foundation of the Future Fund	50,846	51,297
	115,256	115,941
Investment in Capital Assets (Note 9)	196,292	-
Unrestricted funds		
Surplus from operations	600,563	508,076
	$ 7,576,989	$ 6,951,006

Approved on behalf of the Board

____________________ Director ____________________ Director

See accompanying notes to the financial statements.

Manitoba Centennial Centre Corporation
Statement of Operations and Changes in Fund Balances
Year Ended March 31, 2007

	Operating	Capital	Total 2007	Total 2006 (Note 18)
Revenues				
Concert Hall	$ 1,045,977	$ -	**$ 1,045,977**	$ 722,454
Studio Rental	153,235	-	**153,235**	72,165
Bar and concession sales	355,683	-	**355,683**	263,481
Parking fees	693,732	-	**693,732**	608,740
Miscellaneous	105,933	-	**105,933**	93,322
	2,354,560	-	**2,354,560**	1,760,162
Province of Manitoba grants				
Operating	2,875,800	-	**2,875,800**	2,914,100
Amortization of deferred contributions (Notes 8 and 17)	-	65,036	**65,036**	-
Pension (Note 6)	201,541	-	**201,541**	(28,990)
	3,077,341	65,036	**3,142,377**	2,885,110
City of Winnipeg grant				
Strategic Economic Development Grant	29,725	-	**29,725**	26,416
Recoveries of expenses	231,217	-	**231,217**	179,684
	260,942	-	**260,942**	206,100
Total revenues, grant and recoveries	5,692,843	65,036	**5,757,879**	4,851,372
Expenses				
Administration and general	555,759	-	**555,759**	432,907
Amortization of capital assets	-	89,949	**89,949**	-
Bar and concession operations	194,197	-	**194,197**	148,372
Building services and maintenance	1,205,645	-	**1,205,645**	1,205,925
Host services and special projects	245,066	-	**245,066**	213,155
Manitoba Production Centre	221,947	-	**221,947**	235,571
Parking services	189,070	-	**189,070**	190,142
Pension (Note 6)	380,799	-	**380,799**	147,077
Security services	425,925	-	**425,925**	431,115
Stage operations	361,879	-	**361,879**	304,768
	3,780,287	89,949	**3,870,236**	3,309,032
Expenses incurred on behalf of the Manitoba Museum (Note 13)	1,605,891	-	**1,605,891**	1,447,011
Total expenses - per schedule	5,386,178	89,949	**5,476,127**	4,756,043
Excess (deficiency) of revenues over expenses prior to bad debt recovery	306,665	(24,913)	**281,752**	95,329
Bad debt recovery	7,027	-	**7,027**	10,728
Excess (deficiency) of revenues over expenses	313,692	(24,913)	**288,779**	106,057
Interfund transfers	(221,205)	221,205	**-**	-
	92,487	196,292	**288,779**	106,057
Fund balance, beginning of year	508,076	-	**508,076**	402,019
Fund balance, end of year	$ 600,563	$ 196,292	**$ 796,855**	$ 508,076

See accompanying notes to the financial statements.

Manitoba Centennial Centre Corporation
Statement of Cash Flows

Year Ended March 31	2007	2006
Increase (decrease) in cash		
Operating		
Excess of revenues over expenses	$ 288,779	$ 106,057
Amortization of Deferred Contributions	(65,036)	-
Amortization	89,949	-
	313,692	106,057
Changes in non-cash working capital items		
Accounts receivable	20,912	(45,438)
Operating grant receivable	70,000	(70,000)
Inventory	(5,278)	11,035
Prepaid expenses	(11,174)	(9,724)
Accounts payable and accrued liabilities	114,877	(107,591)
Deferred income and rental deposits	(1,408)	18,917
Accrued vacation liability	(16,738)	25,675
Accrued severance pay	8,205	26,573
	493,088	(44,496)
Investing		
Purchase of capital assets	(656,561)	-
Financing		
Capital asset grants - Province of Manitoba	130,227	-
Capital expenditures grants - Province of Manitoba	464,316	477,962
Capital expenditures	(685,912)	(816,954)
	(91,369)	(338,992)
Net decrease in cash and cash equivalents	(254,842)	(383,488)
Cash and cash equivalents, beginning of year	1,142,134	1,525,622
Cash and cash equivalents, end of year	$ 887,292	$ 1,142,134
Represented by:		
Cash and bank	$ 349,406	$ 431,231
Term deposits - Province of Manitoba	537,886	710,903
	$ 887,292	$ 1,142,134

See accompanying notes to the financial statements.

Manitoba Centennial Centre Corporation
Statement of Capital Projects

Year Ended March 31	2007	2006
Capital Expenditures		
Air plenium repairs	$ 309,470	$ -
Electrical/mechanical maintenance	-	52,784
Elevator	-	100,974
Emergency lighting	-	49,828
Equipment and furnishings	-	230,822
Exterior lighting	-	120,794
Handicap ramp	213,774	-
Parking development	-	119,922
Stage sound	-	301,585
	523,244	976,709
Capital Grants - Province of Manitoba		
Received during the year	(341,546)	(477,962)
Advances for next year	100,000	281,698
Advances from previous years	(281,698)	(780,445)
Recoverable	$ -	$ -

See accompanying notes to the financial statements.

Manitoba Centennial Centre Corporation
Schedule of Operating Expenses

Year Ended March 31	2007	2006 (Note 18)
Administration and general		
Salaries and employee benefits	$ 459,259	$ 371,918
Insurance	93,411	81,750
Telephone and fax	19,746	14,564
Audit and legal	24,443	20,132
Other	144,732	90,232
Payroll service	5,566	5,028
	747,157	583,624
Bar and concession operations		
Salaries and employee benefits	78,636	57,289
Cost of goods sold	109,243	80,135
Other	6,318	10,948
	194,197	148,372
Building services and maintenance		
Salaries and employee benefits	1,148,173	1,149,278
Utilities	887,958	893,004
Repairs, maintenance and supplies	439,846	314,446
	2,475,977	2,356,728
Host services and special projects		
Salaries and employee benefits	223,266	193,997
Other	21,800	19,158
	245,066	213,155
Manitoba Production Centre		
Salaries and employee benefits	11,632	15,956
Administration Costs	35,189	58,077
Repairs, maintenance and supplies	39,363	33,460
Property taxes	81,655	69,385
Utilities	54,108	58,693
	221,947	235,571
Parking services		
Salaries and employee benefits	126,234	112,605
Agency fees and expenses	53,406	70,481
Other	9,430	7,056
	189,070	190,142
Pension (Note 6)	470,480	239,079
Security services		
Salaries and employee benefits	466,903	468,006
Other	13,502	16,598
	480,405	484,604
Stage operations		
Salaries and employee benefits	297,180	274,310
Repairs, supplies and equipment	64,699	30,458
	361,879	304,768
Total expenses	5,386,178	4,756,043
Less: Expenses incurred on behalf of the Manitoba Museum (Note 13)	1,605,891	1,447,011
Net expenses	$ 3,780,287	$ 3,309,032

See accompanying notes to the financial statements.

1. Nature of the Corporation's operations

The Manitoba Centennial Centre Corporation was established in 1968 for the development and management of the permanent arts centre in the City of Winnipeg as the principal memorial in the Province to the centennial anniversaries of the Confederation of Canada and the inclusion of Manitoba as a Province. Its aim and objectives are to maintain and enhance the properties and facilities available to organizations and individuals involved in various elements of the visual and performing arts. The Corporation is exempt from income taxes under Section 149(1) of the Income Tax Act.

2. Properties of the Corporation

The Corporation oversees the properties of the Centre on behalf of the Province of Manitoba. At March 31, 2007 registered titles to these properties, being the Concert Hall, Manitoba Production Centre, parkade, parking lots and other buildings, are held by the Province of Manitoba. These properties are made available at no direct charge to the Corporation.

The Corporation has included the Manitoba Production Centre financial results within these statements as per the Letter of Understanding between Manitoba Culture, Heritage and Tourism and the Manitoba Centennial Centre Corporation, in which the Corporation agreed to manage the Manitoba Production Centre for the Province.

3. Summary of significant accounting policies

Fund accounting

The Corporation's financial statements have been prepared on a fund basis, using Canadian generally accepted accounting principles. The Corporation follows the deferral method of accounting.

The general fund is used to account for the operations of the Corporation.

The capital asset fund reports the assets, liabilities, revenues and expenses related to capital assets other than buildings that are funded by the Province of Manitoba (Note 9)

In 1972, the Corporation established the Maitland Steinkopf Youth Fund with an original allocation of $25,000. The major purpose of this fund is to promote cultural opportunities for Manitoba youths at reasonable costs (Note 10)

In 1969, the Corporation established the Foundation of the Future Fund in recognition of Manitoba's centennial year. The terms of the Fund's establishment provide that the committee of the fund will be composed of children born on six special dates in the year 1970. Based on the number of children born on these dates, the Corporation allocated $3,050 to the Fund (Note 10)

3. Summary of significant accounting policies (continued)

Pension costs

Pension payments are recognized as operating expenses as payments are made under provisions of The Manitoba Civil Service Superannuation Act. The provisions of this Act require the Corporation to contribute 50% of the pension payments being made to retired employees. In addition, a provision has been recorded in the accounts of the Corporation for current and past service pension obligations.

Term deposits

Term deposits are recorded at cost plus accrued interest.

Inventory

Inventory is valued at the lower of cost, using the first in first out method, and net realizable value.

Use of estimates

In preparing the financial statements of the Corporation, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

Capital assets

Capital assets are recorded at cost and are being depreciated using the straight-line method over their estimated useful lives as follows:

Office renovations	10%
Stage equipment	20%
Office furniture	20%

Cash and bank

Cash and bank include cash on hand, balances with banks and net of bank overdrafts.

Revenue recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue is recognized when services are rendered and when collectibility is reasonably assured.

4. Severance pay benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 23 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits of $307,561 which represents the amount accumulated to March 31, 1998 by the employees of the Corporation. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable to the amount of $307,561 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. This receivable from the Province of Manitoba has no terms of repayment.

5. Vacation pay liability

In years prior to 2001, the Corporation recorded the estimated liability and the related expense for accumulated vacation pay benefits to its employees. In 2001, the Corporation was advised by the Province of Manitoba that the Province has accepted responsibility for the vacation pay liability accumulated to March 31, 1995 which amounts to $199,964. Accordingly, the Corporation recorded, in 2001, a receivable to the amount of $199,964 from the Province of Manitoba with retroactive restatement of prior periods. This receivable from the Province of Manitoba has no terms of repayment.

6. Pension liability

The Corporation records the actuarial pension liability and the related pension expense in their financial statements. Based on an actuarial report dated December 31, 2004, the unfunded liability for the Corporation's employees, calculated on an indexed basis, amounted to $5,069,000 as at March 31, 2007 (2006 - $4,862,000). For the year ended March 31, 2007, the Corporation recorded a pension liability of $5,069,000 (2006 - $4,862,000) and the related pension expense of $470,480 (2006 - $239,079).

Since the Province of Manitoba is responsible for the pension liability and the related expense, the Corporation adjusted the amount receivable from the Province of Manitoba to $5,069,000 (2006 - $4,862,000) by recording a related revenue of $201,541 (2006 - related expense of $28,990). This receivable from the Province of Manitoba has no terms of repayment.

6. Pension liability (continued)

Provision for employer's share of employer's share of employees' pension plan:

	2007	2006
Balance, beginning of year	**$ 4,862,000**	$ 4,888,000
Adjustment for December 31, 2004 Actuarial Report	-	(212,700)
Increase in trust account held by the Civil Service Superannuation Fund	**(19,190)**	(19,324)
Benefits accrued	**145,986**	145,679
Interest accrued (7%, 2006: 7%)	**346,443**	325,217
Benefits paid	**(266,239)**	(264,872)
Balance, end of year	**$ 5,069,000**	$ 4,862,000

7. Capital assets

	Cost	Accumulated Depreciation	2007 Net Book Value	2006 Net Book Value
Office renovations	$ 413,638	$ 41,364	**$ 372,274**	$ -
Stage equipment	215,000	43,000	**172,000**	-
Office furniture	27,923	5,585	**22,338**	-
	$ 656,561	$ 89,949	**$ 566,612**	$ -

8. Deferred contributions

	2007	2006
Balance, beginning of year	**$ -**	$ -
Capital grants received	**435,356**	-
Less: Amortized to revenue	**(65,036)**	-
Balance, end of year	**$ 370,320**	$ -

Deferred contributions related to capital assets represents the unamortized amount of capital grants received for the purchase of depreciable capital assets.

The amortization of deferred contributions is recorded as revenue in the statement of operations on the same basis as the depreciation of the related capital assets acquired.

9. Investment in capital assets

Investment in capital assets is calculated as follows:

	2007	2006
Capital assets (Note 7)	$ 566,612	$ -
Amounts financed by deferred contributions (Note 8)	(370,320)	-
	$ 196,292	$ -

10. Restricted funds

Restricted funds established and managed by the Corporation are as follows:

(a) The Maitland Steinkopf Youth Fund

Summary of transactions:	2007	2006
Fund balance, beginning of year	$ 64,644	$ 65,567
Investment income	2,526	1,752
Grant expense	(2,760)	(2,675)
Fund balance, end of year	$ 64,410	$ 64,644

(b) The Manitoba Centennial Foundation of the Future Fund

Summary of transactions:	2007	2006
Fund balance, beginning of year	$ 51,297	$ 52,407
Investment income	2,049	1,390
Grant expense	(2,500)	(2,500)
Fund balance, end of year	$ 50,846	$ 51,297

The Board of Directors have decided funds will be used toward an annual bursary program for those pursuing careers in the art.

11. Capital advances and commitments

The Corporation had contractual commitments at the end of 2007 for $ nil (2006 - $53,331) to complete capital improvements.

Capital funds in the amount of $100,000 (2006 - $281,698) were drawn in advance on projects awarded, but not completed by March 31, 2007.

12. Provision for deductible costs on insurance claims

The insurance program of the Corporation contains a deductible clause requiring the Corporation to pay the first $5,000 on any claim with a maximum of $15,000 in any one year. The Corporation has set aside a provision of $15,000 and, as long as the conditions of the insurance coverage are unchanged, it will be maintained at this level.

13. Grant of service

The Manitoba Centennial Centre Corporation incurs expenses such as cleaning, utilities and maintenance on behalf of the Manitoba Museum. These expenses amount to $1,605,891 for the year ending March 31, 2007 (2006 - $1,447,011).

14. Financial instruments

The Corporation's financial instruments consist of cash, term deposits, accounts receivable and accounts payable. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

15. Economic dependence

The Corporation is economically dependent on funding received from the Province of Manitoba.

16. Retained earnings policy

The Board of Directors of Manitoba Centennial Centre Corporation has authorized management to plan for the following policy effective the 2007-2008 fiscal year. There will be a three to five year window to achieve this goal. The Corporation has set a retained earnings goal of $775,000 operating fund surplus which excludes any restricted funds identified on the MCCC balance sheet. The target is based on a three month budget of $3.1 million for salaries and benefits for the 2006-2007 fiscal year. The goal will be reviewed every five years.

17. Change in method of accounting for capital assets

During 2007, the Corporation changed its accounting policy for the treatment of capital assets other than buildings that are funded by the Province of Manitoba. Previously, the Corporation recorded such costs on the statement of capital projects. The Corporation is now capitalizing these costs as incurred in accordance with CICA HB section 4430. This change in accounting policy has not been accounted for retrospectively, since it is impracticable to obtain information to determine the effect on prior periods. The effect of the change on 2007 is an increase in capital assets of $566,612, an increase in deferred contributions of $370,320, an increase in amortization of deferred contributions of $65,036 and an increase in amortization expense of $89,949.

18. Comparative figures

Certain of the 2006 comparative figures have been reclassified to conform to the financial statement presentation adopted for 2007.

Thomas Tasker Chartered Accountant Inc.

Thomas Tasker, CA

Del Halliday, CMA

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Winnipeg, MB R3G 0R4

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AUDITOR'S REPORT

To the Members of
Manitoba Community Services Council Inc.

I have audited the balance sheet of Manitoba Community Services Council Inc. as at March 31, 2007 and the statements of financial activities and changes in net assets for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Thomas Tasker

Winnipeg, Manitoba
May 11, 2007

Chartered Accountant

MANITOBA COMMUNITY SERVICES COUNCIL INC.

BALANCE SHEET

MARCH 31, 2007

Assets	2007	2006
Current assets		
Cash	$ 445,041	$ 274,672
Accrued interest	14,447	14,507
GST refund	5,149	7,321
Prepaid expense	5,554	5,871
Current portion of long-term deposit receipts (note 4)	592,481	220,348
	1,062,672	522,719
Fixed assets (note 3)	9,908	5,984
Long-term deposit receipts (note 4)	78,600	427,600
	$ 1,151,180	$ 956,303
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 8,431	$ 8,183
Allocations not yet paid	697,699	535,774
	706,130	543,957
Net assets		
Invested in fixed assets	9,908	5,984
Funds for future allocation	435,142	406,362
	445,050	412,346
	$ 1,151,180	$ 956,303

Approved on Behalf of the Board

_________________________ Director

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2007

	Invested in Fixed Assets	Funds for Future Allocation	Total 2007	Total 2006
Balance, beginning of year	$ 5,984	$ 406,362	$ 412,346	$ 366,361
Excess (deficiency) of revenue over allocations and expenses	(6,070)	38,774	32,704	45,985
Invested in fixed assets	9,994	(9,994)	-	-
Balance, end of year	$ 9,908	$ 435,142	$ 445,050	$ 412,346

Thomas Tasker
Chartered Accountant Inc.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue		
Province of Manitoba		
Manitoba Culture, Heritage and Tourism	$ 1,986,800	$ 1,980,000
Interest	40,593	30,021
	2,027,393	2,010,021
Allocations and expenses		
Administrative expenses		
Bank charges	1,075	947
Computer expense	15,280	14,124
Courier	1,006	973
Equipment rental	8,610	8,681
Insurance	4,868	4,868
Meeting costs and volunteer travel	23,095	17,105
Office supplies	9,586	9,247
Postage	1,694	1,605
Professional fees	3,320	3,588
Telephone	5,797	5,452
	74,331	66,590
Amortization	6,070	5,871
Occupancy	27,804	27,858
Salaries and benefits	219,923	217,822
Grant allocations - schedule	1,734,972	1,647,695
Grant allocations (recovered)	(68,411)	(1,800)
	1,994,689	1,964,036
Excess of revenue over allocations and expenses	$ 32,704	$ 45,985

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2007

1. Incorporation

Manitoba Community Services Council Inc. (Council) was incorporated under The Corporations Act of Manitoba on March 13, 1990 without share capital, created for the purpose of distributing bingo events and provincial funds to non-profit community organizations on behalf of the Province of Manitoba.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Statement of cash flows

A statement of cash flows has not been presented since information concerning cash flows is evident from the financial statements presented.

b) Long-term deposit receipts

Long-term deposits receipts are carried at cost.

c) Fixed assets

Fixed asset acquisitions are capitalized in the year of purchase at values equal to cost. Amortization is provided for on a straight-line basis at the following rates which will amortize the cost of the assets over their estimated useful lives:

Furniture and equipment	20%
Computer equipment	30%
Computer software	50%

d) Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Council and when the revenue can be reliably measured.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2007

2. Significant accounting policies, cont'd

e) Measurement uncertainty (use of estimates)

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from management's best estimates.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

f) Financial instruments

The company's financial instruments consist of cash, long-term deposit receipts and accrued interest, accounts payable and allocations not yet paid. Unless otherwise noted, it is management's opinion that the Council is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Financial risk
The financial risk is the risk to the Council's earnings that arises from fluctuations in interest rates and the degree of volatility of those rates. The Council does not use derivative instruments to reduce its exposure to interest rates.

Credit risk
Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Council. The Council limits credit risk by investing in investees that are considered to be high quality credits and by utilizing an internal investment policy.

Fair value
The fair value of these financial instruments approximate their carrying value due to their short-term maturity.

MANITOBA COMMUNITY SERVICES COUNCIL INC.

NOTES TO THE FINANCIAL STATEMENTS, CONT'D

MARCH 31, 2007

3. Fixed assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Furniture and equipment	$ 22,962	$ 22,645	$ 22,962	$ 22,368
Computer equipment	13,842	11,204	13,118	7,728
Computer software	9,270	2,317	-	-
	$ 46,074	$ 36,166	$ 36,080	$ 30,096
Cost less accumulated amortization		$ 9,908		$ 5,984

4. Long-term deposit receipts

	2007	2006
Bank of Montreal GIC, 3.1%, maturing December 15, 2006	$ -	$ 220,348
Manitoba Builder Bonds, 3.8%, maturing June 15, 2007	349,000	349,000
Laurentian Bank GIC, 4.1%, maturing January 19, 2008	43,481	-
Canadian Western Bank, GIC, 4.12%, maturing January 19, 2008.	100,000	-
Home Trust Company, GIC, 4.13%, maturing January 21, 2008.	100,000	-
Manitoba Builder Bonds, 3.25%, maturing June 15, 2008	78,600	78,600
	671,081	647,948
Less: Current portion	592,481	220,348
	$ 78,600	$ 427,600

The market value of long-term deposit receipts including accrued interest held at March 31, 2007 was $683,740 (2006 - $655,475).

5. Provincial funding

The Province of Manitoba has committed funding in the amount of $1,993,600 for the year ended March 31, 2008.

6. Commitment

The Council has leased realty pursuant to a lease agreement, until May 31, 2010. Under the terms of the lease, the Council is responsible for base rent and its proportionate share of property taxes and operating costs of the building.

The minimum base rent payments for the next three years are as follows:

2008	$ 11,854
2009	11,854
2010	11,854

7. Bingo hall earnings

The Council allocates a certain number of bingo events to various organizations that it funds. Numerous community service organizations earned a total of $786,300 (2006 - $834,900) through participation in bingo events.

The funds received from bingos are paid directly by the Manitoba Lotteries Corporations to the above organizations. These funds are not reflected on the statement of financial activities.

8. Pension plan

The employees of the Council participate in the United Way Agencies Pension Plan, a multi-employer, defined benefit pension plan, which is accounted for as a defined contribution plan. The Council's pension contribution and expense for the year was $12,139 (2006 - $12,120).

An actuarial valuation indicated that a funding deficiency existed in the plan as at December 31, 2002. Based on the December 31, 2002 valuation, the Council has been assessed a solvency payment of $3,323 for the fiscal year. The Plan's next actuarial valuation will have an effective date of December 31, 2006.

Manitoba

Competitiveness, Training and Trade
Manitoba Development Corporation
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THE MANITOBA DEVELOPMENT CORPORATION

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies and procedures are established and respected.

BDO Dunwoody LLP have free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

James F. Kilgour, C.A.
General Manager

Kristine Seier, CMA
Secretary-Treasurer

Manitoba
spirited energy

BDO
BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Shareholder of
MANITOBA DEVELOPMENT CORPORATION

We have audited the balance sheet of **MANITOBA DEVELOPMENT CORPORATION** as at March 31, 2007 and the statements of operations and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 1, 2007

MANITOBA DEVELOPMENT CORPORATION
Balance Sheet

For the year ended March 31				2007	2006
	PNP-B	MDC Part I	MDC Part II	Total	Total
ASSETS					
Current Assets					
Cash	$ 99,873	$ 109,524	$ -	$ 209,397	$ 913,285
Cash held in trust	-	-	282,947	282,947	155,338
Short-term investments	7,213,919	4,452,704	-	11,666,623	4,333,649
Accounts receivable (Note 2)	445,759	4,004	-	449,763	296,969
	7,759,551	4,566,232	282,947	12,608,730	5,699,241
Assets Managed for the Province of Manitoba					
Loans receivable (Note 4)	-	-	45,438,714	45,438,714	42,686,891
Equity Investments (Note 5)	-	-	6,621,597	6,621,597	4,772,605
Trust Funds (Note 6)	26,741,139	-	-	26,741,139	27,260,036
	$ 34,500,690	$ 4,566,232	$ 52,343,258	$ 91,410,180	$ 80,418,773
LIABILITIES					
Current Liabilities					
Accounts payable	$ 285,195	$ 319,701	$ -	$ 604,896	$ 431,657
Funds provided by the Province of Manitoba	-	-	52,343,258	52,343,258	47,614,834
Trust liabilities (Note 6)	26,741,139	-	-	26,741,139	23,234,761
Severance pay benefits (Note 3)	102,241	-	-	102,241	-
	27,128,575	319,701	52,343,258	79,791,534	71,281,252
Commitments (Note 9)					
Shareholder's Equity					
Share capital - authorized and issued 100 shares at $10 per share	-	1,000	-	1,000	1,000
Restricted surplus (Note 7)	4,063,543	-	-	4,063,543	4,918,648
Retained earnings	3,308,572	4,245,531	-	7,554,103	4,217,873
	7,372,115	4,246,531	-	11,618,646	9,137,521
	$ 34,500,690	$ 4,566,232	$ 52,343,258	$ 91,410,180	$ 80,418,773

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Operations and Retained Earnings

For the year ended March 31				2007	2006
	PNP-B	MDC Part I	MDC Part II	Total	Total
Income					
Interest	$ 1,186,813	$ 383,360	$ 3,077,052	$ 4,647,225	$ 4,076,295
Foreign exchange gain	-	-	-	-	85,431
Forfeitures (Note 6)	2,000,079	-	-	2,000,079	4,425,275
Recovery of Program Administration Expenses (Note 8)	449,229	-	-	449,229	385,398
Prepayment penalty fee	-	-	-	-	527,292
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba					
Recovery of provision for loan forgiveness	-	-	-	-	(937,120)
Provision for doubtful accounts (recovery)	-	-	59,681	59,681	(3,764,798)
Provision for decline in value of investments	-	-	181,174	181,174	131,617
Pro-rata share of partnership losses	-	-	576,882	576,882	53,424
Foreign currency translation loss	-	-	-	-	481,500
	3,636,121	383,360	3,894,789	7,914,270	5,464,314
Expenses					
Program administration	1,164,925	100,387	-	1,265,312	1,030,345
Payment of Part II interest on loan receivable to the Province of Manitoba	-	-	3,077,052	3,077,052	3,190,648
Recovery of provision for loan forgiveness	-	-	-	-	(937,120)
Provision for doubtful accounts (recovery)	-	-	59,681	59,681	(3,764,798)
Provision for decline in value of investments	-	-	181,174	181,174	131,617
Pro-rata share of partnership losses	-	-	576,882	576,882	53,424
Foreign currency translation loss	-	-	-	-	481,500
	1,164,925	100,387	3,894,789	5,160,101	185,616
Transfers to the Department of Labour and Immigration (Note 10)	263,044	-	-	263,044	-
Transfers to the Department of Competitiveness, Training and Trade (Note 10)	10,000	-	-	10,000	56,200
	1,437,969	100,387	3,894,789	5,433,145	241,816
Net income for the year	2,198,152	282,973	-	2,481,125	5,222,498
Retained earnings, beginning of year	255,315	3,962,558	-	4,217,873	3,275,965
Transfer of Provincial Nominee Program for Business from Manitoba Trade and Investment Corporation (Note 1)	-	-	-	-	638,058
Transfer from (to) Restricted Surplus (Note 7)	855,105	-	-	855,105	(4,918,648)
Retained earnings, end of year	$ 3,308,572	$ 4,245,531	$ -	$ 7,554,103	$ 4,217,873

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA DEVELOPMENT CORPORATION
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Net income for the year	$ 2,481,125	$ 5,222,498
Adjustments for		
Allowance for loan forgiveness recovery	-	(937,120)
Provision for doubtful accounts (recovery)	59,681	(3,764,798)
Provision for decline in value of investments	181,174	131,617
Pro-rata share of partnership losses	576,882	53,424
Provision for forfeitures	(2,000,079)	(4,025,275)
Recovery (reimbursement) of Part II expenses from (to) the Province of Manitoba	(817,737)	4,516,877
	481,046	1,197,223
Changes in non-cash working capital balances		
Accounts receivable	(152,794)	(295,160)
Accounts payable	173,239	113,815
	20,445	(181,345)
Severance pay benefits	102,241	-
Net cash flow from operating activities	603,732	1,015,878
Cash Flows from Investing Activities		
Loans receivable		
Principal repayments	6,270,566	28,756,560
Loans issued	(9,021,376)	(1,065,000)
Increase in accrued interest receivable	(60,694)	(36,074)
Equity investments		
Investments made	(2,607,048)	(461,818)
Provincial Nominee Program for Business Trust Funds	518,897	(27,260,036)
	(4,899,655)	(66,368)
Funds provided by the Province of Manitoba		
Part II	5,546,161	(27,206,526)
Provincial Nominee Program for Business	5,506,457	27,898,094
Net cash flow from investing activities	6,152,963	625,200
Net increase in cash and cash equivalents	6,756,695	1,641,078
Cash and cash equivalents, beginning of year	5,402,272	3,761,194
Cash and cash equivalents, end of year	$ 12,158,967	$ 5,402,272
Represented by:		
Cash	$ 209,397	$ 913,285
Short-term investments	11,666,623	4,333,649
Cash held in trust	282,947	155,338
	$ 12,158,967	$ 5,402,272

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Loans Receivable Under Part II

Loans are carried at the unpaid principal plus accrued interest, less allowance for doubtful loans. Loans considered uncollectible are written-off.

Interest on loans is recorded as income on an accrual basis except for loans considered impaired. When a loan becomes impaired, recognition of interest ceases when the carrying amount of the loan (including accrued interest) exceeds the estimated realizable amount. The amount of initial impairment and any subsequent changes are recorded through the provision for doubtful loans as an adjustment of the specific allowance.

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the portfolio. Specific allowances reduce the carrying value of loans identified as impaired to their net realizable amounts. In addition to specific allowances against identified impaired loans, the corporation maintains a non-specific allowance to cover impairment which is inherent in the loan portfolio which is consistent with industry practice.

Equity Investments Under Part II

The corporation's equity in investments related to share capital investments are recorded at cost. The corporation's investments in the Vision Capital Fund, CentreStone Vision Fund, Manitoba Capital Fund, Manitoba Science and Technology Fund, Renaissance Capital Fund, Western Life Sciences Venture Fund LLP and the Canterbury Park Capital Limited Partnership Fund are accounted for using the equity method of accounting. These investments were originally recorded at cost and the carrying value is adjusted thereafter to include the Corporation's pro-rata share of post acquisition earnings. Such adjustments are correspondingly reflected in the balance sheet caption "Funds provided by the Province of Manitoba under Part II."

An allowance for Equity Investments is maintained at a level considered adequate to absorb the investment risk in the portfolio. Specific allowances reduce the carrying value of individual fund investments to their net realizable amounts at year end.

MANITOBA DEVELOPMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2007

Financial Instruments

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments.

The financial risk is the risk to the corporation's Part I earnings that arise from fluctuations in interest rates and degree of volatility of these rates. Because Part II activities are directed by the Province of Manitoba, any exposure for these financial assets and liabilities to interest rate fluctuations or changes to their fair value would be borne by the Province. Credit risk relating to the realization of assets managed for the Province of Manitoba under Part II is borne by the Province.

All financial instruments are denominated in Canadian dollars.

The corporation does not participate in derivative financial instrument trading.

Operating Losses

Losses under Part I and under Part II of the corporation are the responsibility of the Province and are charged directly against advances received from the Province.

Cash

For the purpose of the statement of cash flows, cash includes cash and term deposits with the Province of Manitoba with maturities of up to three months.

Foreign Currency Translation

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense is translated into Canadian dollars by the use of the exchange rate in effect at that date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date. The resulting foreign exchange gains and losses are included in income in the current period.

Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the corporation at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

Program Administration and Recoveries

Program administration expenses are recognized in the same period that they are incurred. Recovery of Program Administration Expenses revenue is recognized in the same period as the corresponding expense is incurred.

1. Nature of Operations and Economic Dependence

The Manitoba Development Corporation (The Corporation) provides loans and guarantees under Part I and Part II of the Development Corporation Act. The activities under Part I and Part II are accounted for separately. Part I activities are undertaken at the initiative of the Corporation, while Part II activities are at the direction of the Province of Manitoba.

The Corporation's lending operations under Part I were suspended effective November 15, 1977 except at the direction of the Province of Manitoba. The Corporation's lending and investment operations under Part II continue under the direction of the Province of Manitoba. The Province provides all financing for these initiatives and ultimately bears all costs, including any exposure for these financial assets to interest rate fluctuations, changes to their fair value or credit risk relating to the realization of these assets.

On March 15, 2005, the Province of Manitoba authorized the transfer of financial administration of the Provincial Nominee Program for Business from the Manitoba Trade and Investment Corporation (MTIC) to the Corporation effective April 1, 2005. Related assets of $23,033,926, liabilities of $22,395,868 and retained earnings of $638,058 were transferred on that date. The Manitoba Provincial Nominee Program for Business allows Manitoba to recruit, select, and nominate qualified business people from around the world who have the intent and ability to move to Manitoba and establish or purchase a business.

Effective April 1, 2006, Treasury Board provided authority to convert 10 employment contracts in the Corporation to regular staff positions, which entitles the staff to receive a similar benefits package to other Provincial Civil Servants. The staff in those positions support the Provincial Nominee Program for Business, Young Farmers Program, Business Settlement Program, Manitoba Opportunities Fund, and Marketing Support Group.

2. Accounts Receivable

	2007	2006
Province of Manitoba	**$ 292,901**	$ 111,105
Other	**37,786**	16,199
Accrued Interest	**119,076**	169,665
	$ 449,763	$ 296,969

3. Severance Pay Benefits

Upon transfer of employees from the Province on April 1, 2006, the Corporation assumed accumulated severance pay obligations from the Province of Manitoba for its employees. The amount of severance pay obligations is calculated based on the severance policies of the Province of Manitoba.

4. Loans Receivable Managed for the Province of Manitoba Under Part II

	2007	2006
Business Support		
Manitoba Industrial Opportunities Program		
- Repayable	**$ 55,869,228**	$ 55,862,840
- Forgivable	**3,792,063**	3,792,063
Manufacturing Adaptation Program	**-**	2,491
	59,661,291	59,657,394
Other Loans Receivable		
Elmwood Cemetery	**-**	75,000
	59,661,291	59,732,394
Less: Allowance for forgiveness	**(3,792,063)**	(3,792,063)
Allowance for doubtful accounts	**(10,430,514)**	(13,253,440)
	(14,222,577)	(17,045,503)
	$ 45,438,714	$ 42,686,891

The Manitoba Industrial Opportunities Program provides flexible repayable financing to encourage companies to expand or locate in Manitoba. Loan principal is due as follows:

	2007	2006
2007	**$ -**	$ 7,730,760
2008	**5,808,576**	20,766,512
2009	**5,012,941**	4,788,148
2010	**9,073,933**	3,086,515
2011	**13,144,752**	6,459,966
Subsequent to 2011	**-**	12,812,479
2012	**13,602,126**	-
Subsequent to 2012	**8,947,745**	-
Accrued interest	**279,155**	218,461
	55,869,228	55,862,841
Allowance	**(10,430,514)**	(13,250,950)
	$ 45,438,714	$ 42,611,891

4. Loans Receivable Managed for the Province of Manitoba Under Part II (Continued)

Interest rates charged for Manitoba Industrial Opportunities loans are fixed in reference to the Corporation's cost of borrowing from the Province of Manitoba at the time of the first disbursement of the loan proceeds to the debtor. In some cases, per the terms of individual loan agreements, interest rates may be adjusted during the term of the loan based on the Corporation's cost of borrowing from the Province of Manitoba at a date(s) specified in the loan agreement. In certain cases, the Corporation charges interest rates which are less than its cost of borrowing to encourage investment and job creation in Manitoba. In other cases, the Corporation charges rates in excess of its cost of borrowing to reflect risk conditions. Interest rates charged on loans are as follows:

	2007	2006
Nil	**$ 1,003,231**	$ 1,622,671
Greater than Nil, less than 5%	**29,730,537**	30,913,727
5% or greater, less than 6%	**16,203,010**	17,804,552
6% or greater, less than 7%	**6,636,628**	2,782,597
7% or greater, less than 8%	**2,016,667**	2,520,833
Accrued interest	**279,155**	218,461
	55,869,228	55,862,841
Allowance	**(10,430,514)**	(13,250,950)
	$ 45,438,714	$ 42,611,891

When possible, the Corporation obtains various forms of security on the Manitoba Industrial Opportunities loans with priority ranking subject to any prior existing charges.

In exchange for contractual obligations which normally commit debtor companies to create and maintain jobs, the Corporation has provided forgivable loans. A portion of these loans is normally forgiven annually subject to the Corporation's confirmation that jobs have been created and maintained. Forgivable loans together with projected timing of forgiveness are as follows:

	2007	2006
Forgivable within 1 year	**$ 2,080,427**	$ 1,140,287
Forgivable within 2 years	**-**	940,140
Forgivable in more than 3 years	**1,711,636**	1,711,636
	$ 3,792,063	$ 3,792,063

5. Equity Investments Managed for the Province of Manitoba Under Part II

	2007	2006
Share capital investments		
Faneuil ISG Inc.	$ 1	$ 1
Less: Allowance for forgiveness of shares	1	1
	-	-
Limited Partnership Investments		
Canterbury Park Capital Fund LLP	300,000	-
CentreStone Vision Fund	1,709,408	801,584
Manitoba Capital Fund	4,363,200	4,363,200
Manitoba Science and Technology Fund	1,731,997	1,682,773
Renaissance Capital Fund	3,000,000	3,000,000
Western Life Sciences Venture Fund LLP	5,150,000	3,800,000
Vision Capital Fund	1	1
	16,254,606	13,647,558
Less: Allowance for decline in value of investments	(9,537,440)	(9,356,266)
Add (less): Pro-rata share of partnership earnings (losses)	(95,569)	481,313
	(9,633,009)	(8,874,953)
	$ 6,621,597	$ 4,772,605

On January 17, 2002, Faneuil ISG Inc. was purchased by 3863620 Canada Limited. As a result of this transaction, the Province agreed to convert its existing investment into 11,000,000 preference shares of 3863620 Canada Limited. On December 30, 2004 the rights pertaining to these shares were changed. The new rights attached to these shares are non-retractable, non-voting with no dividend rights and on the liquidation, winding up or dissolution of Faneuil the Province will participate in the assets of Faneuil pari-passu with the holders of Class A common and Class B common shares.

The investment in preference shares has been recorded in the books of the Corporation at a nominal value of $1. Any funds received upon redemption of the preference shares will accordingly result in the recognition of an equal amount of income at that time.

6. Trust Funds / Liabilities - Provincial Nominee Program for Business

	2007	2006
Gross Trust Liabilities	**$ 26,741,139**	$ 27,260,036
Allowance for forfeitures	-	(4,025,275)
	$ 26,741,139	$ 23,234,761

The Corporation, Manitoba Competitiveness, Training and Trade and Labour and Immigration operate a program known as the Provincial Nominee Program for Business, which offers individuals who wish to immigrate to the Province of Manitoba to establish and operate a business the opportunity to obtain a nominee certificate. During the 2003 fiscal year, the Corporation first entered into agreements with qualified immigrants whereby the immigrants committed to invest specified amounts to establish approved businesses in Manitoba within specified periods of time. As evidence of their commitments, the immigrants are required to deposit $75,000 with the Corporation. These deposits are held in trust by the Corporation and are refundable to the immigrants based on the satisfaction of the conditions set out in the agreements. The final decision as to admission to Canada for permanent residence is made by the Government of Canada. In the event that the nominees are not granted permanent residency visas by the Government of Canada, the Corporation also refunds the deposits. The Corporation invests the deposits, retains all interest income earned on the deposits and, should immigrants fail to satisfy the conditions of the agreements, the Corporation also has the right, under the agreements, to retain the deposits.

At March 31, 2007, deposits held in trust under the Provincial Nominee Program for Business and invested with the Province of Manitoba totaled $26,741,139 (2006 - $27,260,036). Interest earned on these deposits during the year and retained by the Corporation totaled $1,186,813 (2006 - $740,912). Actual deposits retained during the year and included in total Forfeitures revenue amounted $2,275,079 (2006 - $400,000) which are presented net of an allowance adjustment of $275,000 (2006 - $4,025,275).

7. Restricted Surplus

The Province of Manitoba has directed that the balance of restricted retained earnings for the year to be equal to three years operating expenses of the Business Immigration and Investment Branch (based on the most recent years actual expenses) plus 25% of the previous year's PNP-B forfeitures as a reserve which would not be available for annual distribution to the Province. Any excess beyond that amount, once it has been released by the Province would then be transferred to unrestricted retained earnings.

8. Recovery of Program Administration Expenses and Related Party Transactions

The Corporation receives recoveries for certain Program Administration Expenses, paid for by the Provincial Nominee Program for Business, from the following three sources.

	2007	2006
Departmental appropriations - Competitiveness, Training and Trade	**$ 217,541**	$ 254,154
Manitoba Opportunities Fund Ltd.	**210,343**	68,647
Participants Program	**21,345**	62,597
	$ 449,229	$ 385,398

The Manitoba Opportunities Fund Ltd. also provided a recovery of $77,077 (2006 - $25,231) to cover salary and occupancy costs related to a Corporation employee who worked exclusively on Manitoba Opportunities Fund Ltd. matters (this recovery has been netted against Program Administration Expenses). The Manitoba Opportunities Fund Ltd. operates under the control of a common Board of Directors.

9. Commitments

Commitments and undisbursed balances of approved loans under Part II:

	2007	2006
Manitoba Industrial Opportunities Program	**$ 14,700,192**	$ 20,969,984
Manitoba Science & Technology Fund	**768,003**	817,227
Canterbury Park Capital	**9,700,000**	-
CentreStone Venture Fund Limited	**3,290,592**	4,198,416
Manitoba Capital Fund	**353,334**	353,334
Western Life Sciences Venture Fund LLP	**650,000**	1,200,000
	$ 29,462,121	$ 27,538,961

10. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	2007	2006
Transfers to the Department of Labour and Immigration	**$ 263,044**	$ -
Transfers to the Department of Competitiveness, Training and Trade	**10,000**	56,200
	$ 273,044	$ 56,200

11. Financial Instruments

The carrying amounts of PNP-B and Part I financial assets and liabilities are a reasonable estimate of the fair value because of the short-term maturity of those instruments. The carrying amount of Part II financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

12. Employee Pension Benefits

Employees of Manitoba Development Corporation are eligible for pension benefits in accordance with the provisions for the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Manitoba Development Corporation, through the Civil Service Superannuation Fund.

The corporation is required to pay the Province of Manitoba an amount equal to its employees current pension contributions. The amount paid for 2007 was $31,273 (2006 - $Nil). Under this agreement, the corporation has no further pension liability.

13. Comparative Figures

Certain of the prior year's figures have been reclassified to conform with the current year's presentation.

MANAGEMENT'S RESPONSIBILITY

To the Board of Directors of
Manitoba Film and Sound Recording Development Corporation:

Management has the responsibility for preparing the accompanying financial statements and ensuring that information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibility for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors and the Finance and Planning Committee are composed entirely of directors who are neither management nor employees of the Company. The Finance and Planning Committee also undertakes the responsibilities of an Audit Committee. The Finance and Planning Committee is appointed by the Board to review the financial statements in detail with management and to recommend them to the Board prior to their approval of the financial statements for publication.

External auditors are appointed to audit the financial statements and report directly to the Finance and Planning Committee; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the management and the Finance and Planning Committee to discuss their audit findings.

Carole Vivier

Carole Vivier, CEO
Winnipeg, Manitoba
April 25, 2007

AUDITORS' REPORT

To the Board of Directors of
Manitoba Film and Sound Recording Development Corporation

We have audited the balance sheet of Manitoba Film and Sound Recording Development Corporation as at March 31, 2007 and the statements of revenues and expenses and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Chartered Accountants
Winnipeg, Manitoba
April 25, 2007

MANITOBA FILM & SOUND BALANCE SHEET

Balance Sheet As at March 31, 2007	2007	2006
ASSETS		
Current		
Cash (Note 3)	$ 1,602,748	$ 1,695,134
Accounts receivable	24,173	13,078
Prepaid expenses	21,600	21,507
Inventory	5,921	3,049
	1,654,442	1,732,768
Capital Assets (Note 4)	63,218	65,436
	$ 1,717,660	$ 1,798,204
LIABILITIES		
Current		
Accounts payable	$ 46,631	$ 42,678
Deferred revenue (Note 5)	149,000	145,000
Carry-over commitments (Note 6)	1,037,208	1,296,986
	$ 1,232,839	$ 1,484,664
NET ASSETS (Note 7)		
Invested in capital assets	$ 63,218	$ 65,436
Unrestricted	421,603	248,104
	484,821	313,540
	$ 1,717,660	$ 1,798,204

On behalf of the Board of Directors:

Director

Director

STATEMENT OF REVENUES AND EXPENSES AND NET ASSETS

For the year ended March 31, 2007	2007	2006
REVENUES		
Province of Manitoba funding	$ 3,173,700	$ 3,413,378
Interest income	73,994	48,276
Program recoupments	167,766	158,478
Other income	17,220	-
Total Revenues	$ 3,432,680	$ 3,620,132
EXPENSES		
Film and Television Programs Funding		
Development Financing Programs	$ 65,818	$ 134,736
Production Financing Programs	1,509,345	1,481,547
Access to Markets Program	30,000	30,000
Low Budget Feature Film Development Financing Program	-	7,466
Emerging Talent Matching Funds Program	27,500	15,650
Portfolio Investment Envelope Program	(30,000)	70,000
	$ 1,602,663	$ 1,739,399
Sound Programs Funding		
Sound Recording Production Fund	$ 186,800	$ 177,620
Sound Recording Production Fund – Out of Province Artists	20,000	-
Demo Recording Fund	50,315	57,481
Music Video Fund	24,000	39,237
Record Product Marketing Support Fund	78,643	56,639
Recording Artist Touring Support Fund	96,391	109,308
Portfolio Investment Envelope Program	6,000	10,000
Market Access Fund	30,000	30,000
	$ 492,149	$ 480,285
Interactive New Media Funding (Note 8)		
Development	$ -	$ 40,000
Production	-	70,764
Access to Markets Program	-	11,011
	$ -	$ 121,775
Industry Support		
Film		
Industry Associations (Note 9)	$ 71,000	$ 60,449
Sponsorships/Partnerships	70,018	64,899
Interactive Media		
Industry Associations (Note 8)	-	123,467
Sound Recording		
Industry Associations (Note 9)	75,000	65,000
Sponsorships/Partnerships	28,115	10,750
	$ 244,133	$ 324,565
Film Commission/Locations Services	$ 321,237	$ 290,752

STATEMENT OF REVENUES AND EXPENSES AND NET ASSETS CONTINUED FROM PREVIOUS PAGE

For the year ended March 31, 2007	2007	2006
Programs Delivery (Note 11)		
Salaries	$ 337,680	$ 331,829
Marketing/Operating	77,002	146,023
	$ 414,682	$ 477,852
Administrative Expenses		
Salaries	$109,919	$107,752
Marketing/Operating	76,616	67,030
	$ 186,535	$ 174,782
TOTAL EXPENSES	$ 3,261,399	$ 3,609,410
Excess of Revenues over Expenses	$ 171,281	$ 10,722
Net Assets, Beginning of Year	313,540	302,818
NET ASSETS, END OF YEAR	$ 484,821	$ 313,540

STATEMENT OF CASH FLOW

For the year ended March 31, 2007	2007	2006
Cash provided by (used for) the following activities		
Operating Activities		
Excess of revenues over expenses	$ 171,281	$ 10,722
Amortization	16,655	16,281
	187,936	27,003
Changes in Working Capital Accounts		
Accounts receivable	(11,095)	6,175
Carry-over commitments	(259,778)	560,644
Inventory	(2,872)	5,457
Prepaid expenses	(93)	(7,608)
Accounts payable	3,953	(17,396)
Deferred revenue	4,000	(245,679)
	(265,885)	301,593
	$ (77,949)	$ 328,596
Financing Activity		
Term loans payable	$ -	$ (13,673)
Investing Activities		
Purchases of capital assets	$ (14,437)	$ (24,443)
Repayment of notes receivable	-	13,673
	$ (14,437)	$ (10,770)
(Decrease) Increase in Cash Resources	(92,386)	304,153
Cash Resources, Beginning of Year	1,695,134	1,390,981
CASH RESOURCES, END OF YEAR	$ 1,602,748	$ 1,695,134

NOTES TO FINANCIAL STATEMENTS

1. Nature of Business

Manitoba Film and Sound Recording Development Corporation (the "Corporation") is a statutory corporation created by the Province of Manitoba through The Manitoba Film and Sound Recording Development Corporation Act. The chief objective of the Corporation is to foster growth of the Manitoba film and sound recording industries by providing financial and other assistance.

The Corporation has been designated by the Minister of Finance to administer the Manitoba Film and Video Production Tax Credit Program, including registration of productions and review of tax credit applications.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is valued at the lower of cost or net realizable value.

Equipment

Equipment is recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives. The annual rates are as follows:

Website	30%
Computer equipment	30%
Furniture	20%
Leasehold improvements	5%
Equipment	20%

Program funding

The Corporation provides grant funding to Manitoba companies and individuals in order to promote Manitoba's film and sound recording artists and industries. The grant may nominally take the form of equity financing from which, in the future, there may be a recovery of principal or return on investment.

Revenue recognition

a) Program Recoupments

Any recovery of principal or return on investment of programs funded is recorded as program recoupments when received or reported by the applicant.

b) Province of Manitoba Funding

Province of Manitoba funding is based on the Province of Manitoba's annual allocation to the Corporation and is recorded as revenue when received.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of equipment is provided based on the Corporation's estimated useful lives of those assets.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. The Corporation expects to apply these recommendations for its financial statements dated March 31, 2008. Transitional provisions are complex and vary based on the type of financial instruments under consideration. The Corporation expects that the impact of these new standards on its financial statements will be minimal.

3. Cash

Cash on deposit earns monthly interest at the Chartered Bank's commercial rates.

4. Capital Assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Website/Database	$ 23,751	$ 12,631	$ 11,120	$ 10,156
Computer equipment	82,218	69,067	13,151	10,682
Furniture	50,761	48,712	2,049	4,568
Leasehold improvements	53,700	18,563	35,137	37,854
Equipment	5,120	3,359	1,761	2,176
	$ 215,550	$ 152,332	$ 63,218	$ 65,436

5. **Deferred Revenue**

The Province of Manitoba has provided funds directed to specific programs in the next fiscal year.

These funds consist of:

	2007	2006
Sound Portfolio Investment Envelope Program	**$ 51,500**	$ 77,500
Film Portfolio Investment Envelope Program	**97,500**	67,500
	$ 149,000	$ 145,000

6. **Carry-Over Commitments**

Due to lead times required to obtain all the resources necessary to complete film, video and sound recording projects, the Corporation approves applications for funding which may not be disbursed until subsequent fiscal periods. Particulars of such approved funding in fiscal year ended March 31, 2007 and prior years, which were not fully advanced as at March 31, 2007 are as follows:

	Year of Commitment			Total	
	06/07	05/06	Prior	2007	2006
Film					
Development Financing Programs	$ 28,439	$ 1,400	$ -	**$ 29,839**	$ 54,615
Production Financing Programs	589,588	105,124	29,990	**724,702**	875,021
Access to Markets Program	3,000	-	-	**3,000**	3,000
Emerging Talent Matching Funds	6,250	1,800	-	**8,050**	8,650
Portfolio Investment Envelope	-	12,000	30,500	**42,500**	62,000
Industry Support	7,100	250	-	**7,350**	18,931
	$ 634,377	$ 120,574	$ 60,490	**$ 815,441**	$ 1,022,217
Sound					
Sound Recording Production Fund	$ 115,650	$ 25,000	$ 592	**$ 141,242**	$ 116,607
Sound Recording – Out of Province Artists	20,000	-	-	**20,000**	-
Demo Recording Fund	15,280	400	-	**15,680**	17,412
Record Product Marketing Fund	21,695	2,500	-	**24,195**	11,720
Recording Artist Touring Fund	8,650	-	-	**8,650**	10,600
Music Video Fund	-	-	-	-	4,700
Portfolio Investment Envelope	-	3,000	6,000	**9,000**	16,000
Market Access Fund	3,000	-	-	**3,000**	3,000
	$ 184,275	$ 30,900	$ 6,592	**$ 221,767**	$ 180,039
Interactive Media					
Development	-	-	-	-	$ 5,500
Production	-	-	-	-	29,230
Industry Support	-	-	-	-	60,000
	-	-	-	-	$ 94,730
Total Commitments	$ 818,652	$ 151,474	$ 67,082	**$ 1,037,208**	$1,296,986

7. Net Assets

	Invested in capital assets	Unrestricted	2007	2006
Balance, beginning of year	$ 65,436	$ 248,104	**$ 313,540**	$ 302,818
Excess (deficiency) of revenues over expenses	(16,655)	187,936	**171,281**	10,722
Investment in capital assets	14,437	(14,437)	-	-
Balance, end of year	$ 63,218	$ 421,603	**$ 484,821**	$ 313,540

Unrestricted assets are comprised of current and prior years' project revenue recoupments that are allocated to future years' programming and program delivery budgets.

8. Interactive New Media Funding

Pursuant to the Manitoba Treasury Board Secretariat Minute 49A/2005 – Item 18 dated December 18, 2005, the full responsibility for the administration of the Interactive New Media Fund was transferred from the Corporation to the Department of Energy, Science and Technology.

9. Industry Association Support

The Corporation indirectly supports the on-going development of creative talent, business skills and capacity building of various film, television and sound recording professionals by providing funding for specific programming administered by MARIA, MMPIA, the National Screen Institute Canada and the Winnipeg Film Group. Programs supported include the Aboriginal Music Program, Features First, Drama Prize, Totally Television, Global Marketing, Post-Production and Marketing funds.

10. Lease Commitments

The Corporation occupies leased premises subject to minimum monthly rent of $4,856 until August 2009 plus various equipment leases with quarterly payments until March 2012. Future minimum annual payments as are follows:

2008	66,389
2009	66,389
2010	32,194
2011	7,305
2012	7,305

11. Programs Delivery

Programs delivery also includes the expenses associated with the delivery of the Manitoba Film & Video Production Tax Credit Program (MTC). While the value of the MTC does not flow through the Corporation, the delivery of it does and is therefore determined to be worth noting. A total of 86 applications were received for processing during the 2007 fiscal year (2006 – 86), representing in excess of $191 million worth of production activity (2006 - $159 million). Production activity includes projects which took place in current and prior years. The tax credits are subject to approval by the Province of Manitoba.

12. Economic Dependence

The Corporation's primary source of income is derived from the Province of Manitoba in the form of an operating grant.

AUDITORS' REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Authority

We have audited the balance sheet of the **Manitoba Floodway Authority** as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements presents fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 11, 2007.

Chartered Accountants

Manitoba Floodway Authority
Balance Sheet
As at March 31, 2007

	2007	2006
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	$ 24,926,873	$ 22,349,624
Total Assets	$ 24,926,873	$ 22,349,624
LIABILITIES and EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 20,139,276	$ 11,941,558
Interest payable	1,359,686	173,606
Due to the Province of Manitoba (Note 3b)	3,427,911	10,234,460
	24,926,873	22,349,624
Total Liabilities	$ 24,926,873	$ 22,349,624

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

Manitoba Floodway Authority
Statement of Operations
Year ended March 31, 2007

	2007	2006
Expenses		
Salaries and Benefits	$ 2,609,267	$ 2,229,318
Other Operating Expenses		
Transportation	125,404	72,485
Communications	176,624	133,964
Supplies and Services	816,814	1,291,933
Minor Capital	24,899	435,683
Other Operating	257,234	259,427
	1,400,975	2,193,492
Total Expenses	4,010,242	4,422,810
Recoveries		
Capital Assets under Construction on behalf of the Province (Schedule 1)	3,320,730	3,729,044
Operating Grants, Province of Manitoba (Note 5)	689,512	693,766
	4,010,242	4,422,810
Net Operating Results	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Statement of Cash Flows
Year Ended March 31, 2007

	2007	2006
Operating transactions		
Net operating results	$ -	$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	171,667	(344,762)
Accounts payable and accrued liabilities	(67,559)	(226,479)
Cash provided by (used in) operating transactions	104,108	(571,241)
Financing transactions		
Due to the Province of Manitoba	(7,769,243)	11,255,140
Capital transactions		
Capital assets constructed on behalf of the Province	(145,664,474)	(58,274,527)
Net changes in non-cash working capital balances related to capital		
Accounts receivable - Province of Manitoba	791,027	(791,027)
Accounts payable and accrued liabilities	8,265,277	11,858,186
Interest payable	1,186,080	173,606
Contributions related to capital assets	145,664,474	58,274,527
Cash applied to capital transactions	10,242,384	11,240,765
Increase in funds on deposit with Minister of Finance	$ 2,577,249	$21,924,664
Funds on deposit with Minister of Finance, beginning of year	22,349,624	424,960
Funds on deposit with Minister of Finance, end of year	$ 24,926,873	$22,349,624

(see accompanying notes and schedules to the financial statements)

Schedule 1

Manitoba Floodway Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2007

	2007	2006
Funding from the Province of Manitoba (Note 4)	$145,664,474	$ 58,274,527
Capital Expenditures by Component (Note 4):		
Administration	3,320,730	3,729,044
Aqueduct Modifications	9,026,237	-
Contract Administration	6,380,899	1,024,055
Environmental Mitigation	219,532	-
Final Design	8,963,737	10,413,530
Floodway Channel	47,577,004	6,062,190
Inlet Structure	372,798	-
Insurance	251,014	4,591,900
Interest	1,359,686	403,349
Land	342,334	300
Project Description and Environmental Assessment	-	336,875
Railway Bridges	25,027,536	6,807,123
Roadway Bridges	34,480,909	22,961,563
Utility Relocations	1,241,815	1,944,598
West Dike	7,100,243	-
	145,664,474	58,274,527
Net Expenditures	$ -	$ -

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2007

Schedule 2

	Cost	Federal Contributions	Cost net of Federal Contributions	Accumulated Amortization	2007 Net Book Value
Land	$ 6,975,528	$ -	$ 6,975,528	$ -	$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure -					
Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Under Construction - 2004	850,424	-	850,424	-	850,424
Assets Transferred from the Province March 31, 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Manitoba Floodway Authority - Assets Under Construction - 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Capital Assets at March 31, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	-	-	-	-	-
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	$ 9,854,899	$ 4,658,228	$ 5,196,671	$ -	$ 5,196,671
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006	$ 58,274,527	$ 28,842,008	$ 29,432,519	$ -	$ 29,432,519

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2007

	Cost	Accumulated Amortization	2007 Net Book Value
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007 (Note)	$ 145,664,474	$ -	$ 145,664,474

Note: Due to changes in public sector accounting standards, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets. (Note 5)

Note 1 - Nature of Operations

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (the Authority) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for $1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Purchased capital assets in excess of $10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under $10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to $102,660 (2005 - $95,250).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Working Capital Advance and Due to the Province of Manitoba

a) Working Capital Advance

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of $5 million has been established. At March 31, 2007, there were no advances outstanding.

b) Due to the Province of Manitoba

In addition, the Authority may receive interest bearing advances of approved funding from the Province at rates established by the Minister of Finance. At March 31, 2007, $3,427,911 (2006 - $10,234,460) was payable to the Province.

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province, capital expenditures incurred and transferred to the Province during 2007 and 2006 are as follows:

	2007	2006
Administration	$ 3,320,730	$ 3,729,044
Aqueduct Modifications	9,026,237	-
Contract Administration	6,380,899	1,024,055
Environmental Mitigation	219,532	-
Final Design	8,963,737	10,413,530
Floodway Channel	47,577,004	6,062,190
Inlet Structure	372,798	-
Insurance	251,014	4,591,900
Interest	1,359,686	403,349
Land	342,334	300
Project Description and Environmental Assessment	-	336,875
Railway Bridges	25,027,536	6,807,123
Roadway Bridges	34,480,909	22,961,563
Utility Relocations	1,241,815	1,944,598
West Dike	7,100,243	-
Total	**$145,664,474**	**$58,274,527**

Note 5 - Transactions related to Operations and Capital

The Province has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

During the year, as a result of changes in public sector accounting standards applied on a prospective basis, government transfers from the Government of Canada under this shared cost agreement in the amount of $71,876,877 were no longer netted against the cost of capital assets but were recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of $689,512 (2006 - $693,766) related to operating expenses were reflected in the operations of the Authority. $342,852 (2006 - $344,595) of these operating grants were received as government transfers under the shared cost agreement and were recorded as revenue in the Operating Fund of the Province of Manitoba.

Note 6 – Contractual Obligations

As an agent of the Province the Authority has entered into various contracts in the stages of the Floodway expansion project. Contractual obligations relating to the project total $96,453,102 at March 31, 2007 (2006 - $122,831,122).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next three years are as follows:

2008	$151,458
2009	75,729

Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 – Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Note 9 - Contingencies

A claim and other appeals relating to the granting of an environmental license to the Authority have been filed, and an individual accident claim is pending filing against the Authority. As the outcomes of these matters are not determinable and amounts are not reasonably estimable at this time, liabilities have not been recorded in the financial statements.

Note 10 – Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

MANAGEMENT REPORT

The Management of the Manitoba Gaming Control Commission (MGCC) is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information that it has prepared for this report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In addition, certain best estimates and judgments are made based on a careful assessment of the available data.

The financial statements and accompanying notes are examined by Manitoba's Office of the Auditor General (OAG), whose opinion is included herein. The OAG has access to the Board of Commissioners, with or without Management present, to discuss the results of their audit and the quality of financial reporting at the MGCC.

F. J. O. (Rick) Josephson	Dale Fuga
Executive Director	Chief Operating Officer

June 18, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Commissioners of the Manitoba Gaming Control Commission:

We have audited the balance sheet of the Manitoba Gaming Control Commission as at March 31, 2007 and the statements of operations and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Gaming Control Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 18, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

MANITOBA GAMING CONTROL COMMISSION
BALANCE SHEET

For the year ended March 31

	2007	2006
ASSETS		
Current Assets		
Cash	**$ 46,070**	$ 23,976
Short-term investments (Note 2b)	**3,230,478**	3,358,337
Accounts receivable (Note 3)	**38,987**	27,527
Prepaid expenses	**27,281**	18,832
	3,342,816	3,428,672
Long Term Receivable – Province of Manitoba (Note 6)	**146,079**	146,079
Capital Assets (Note 4)	**416,193**	410,464
	$ 3,905,088	$ 3,985,215
LIABILITIES AND SURPLUS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 521,812**	$ 354,397
Deferred revenue (Note 5)	**1,915,391**	1,901,670
	2,437,203	2,256,067
Provision for employee severance benefits (Note 6)	**167,739**	164,966
Provision for employee pension benefits (Note 10)	**61,638**	51,199
Deferred lease inducements (Note 7)	**6,125**	16,625
	2,672,705	2,488,857
Surplus	**1,232,383**	1,496,358
	$ 3,905,088	$ 3,985,215

On behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
STATEMENT OF OPERATIONS AND SURPLUS

For the year ended March 31

	2007	2006
Revenue		
Registration fees	**$ 3,539,404**	$ 3,420,305
License fees	**993,847**	1,066,349
	4,533,251	4,486,654
Expenses		
Salaries and benefits	**3,434,808**	3,145,370
Legal and professional fees	**364,237**	139,480
Rent	**211,418**	145,698
Transportation	**140,920**	131,187
Supplies and services	**114,493**	86,366
Amortization	**105,069**	123,672
Education, training, and conference	**104,624**	112,429
Communications	**104,056**	104,967
Public Education	**95,069**	179,602
Commission Board	**59,985**	66,656
Other expenses	**51,823**	22,230
First Nations legal and professional	**47,919**	13,864
Accommodations	**45,915**	48,466
HR/Systems support	**21,301**	140,458
	4,901,637	4,460,445
Income (loss) before other items	**(368,386)**	26,209
Other Items		
Interest income	**86,604**	56,105
Other income	**17,807**	79,867
	104,411	135,972
Excess revenue (expenses)	**(263,975)**	162,181
Surplus, beginning of year	**1,496,358**	1,334,177
Surplus, end of year	**$ 1,232,383**	$ 1,496,358

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
STATEMENT OF CASH FLOWS

For the year ended March 31

	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenses	$ (263,975)	$ 162,181
Items not involving cash		
Amortization of capital assets	105,069	123,672
Amortization of capital assets related to the Commission Board	2,024	2,588
	(156,882)	288,441
Changes in non-cash working capital balances		
Accounts receivable	(11,460)	14,485
Prepaid expenses	(8,449)	(1,837)
Accounts payable and accrued liabilities	167,415	(48,757)
Deferred revenue	13,721	98,945
Provision for employee pension benefits	10,439	51,199
Provision for employee severance benefits	2,773	14,312
	17,557	416,788
Cash Flows from Investing Activities		
Purchase of capital assets	(112,822)	(44,297)
Cash Flows from Financing Activities		
Deferred lease inducements	(10,500)	(10,500)
Increase (decrease) in cash and cash equivalents during the year	(105,765)	361,991
Cash and cash equivalents, beginning of year	3,382,313	3,020,322
Cash and cash equivalents, end of year	$ 3,276,548	$ 3,382,313
Represented by		
Cash	$ 46,070	$ 23,976
Short-term investments	3,230,478	3,358,337
	$ 3,276,548	$ 3,382,313

The accompanying notes are an integral part of these financial statements.

MANITOBA GAMING CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

1. NATURE OF BUSINESS

The Manitoba Gaming Control Commission was established by The Gaming Control Act. The organization's objectives are to regulate and control gaming activity in the province with the aims of ensuring that gaming activity is conducted honestly, with integrity and in the public interest. The organization began its operations on October 20, 1997.

2. SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

b. Short-Term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for short-term investment are invested with the Province of Manitoba, in accordance with Section 55(7) of The Gaming Control Act.

c. Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments.

d. Capital Assets

Capital assets are stated at cost less accumulated amortization. Amortization based on the estimated useful life of the asset is calculated as follows:

Equipment	20% declining balance basis
Furniture and fixtures	10% declining balance basis
Computer equipment	30% declining balance basis

e. Revenue Recognition

Revenue and expenses are recorded on an accrual basis except for license and supplier registration fees, which are recognized on a cash receipt basis.

f. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. ACCOUNTS RECEIVABLE

	2007	2006
Trade	**$ 5,897**	$ 3,868
Manitoba Lotteries Corporation	**19,150**	7,750
Employee Advances	**11,917**	11,917
Supplier Investigations	**2,023**	3,992
	$ 38,987	$ 27,527

MANITOBA GAMING CONTROL COMMISSION
NOTES TO FINANCIAL STATEMENTS

For the year ended March 31, 2007

4. CAPITAL ASSETS

2007

	Cost	**Accumulated Amortization**	**Net Book Value**
Equipment	**$ 66,362**	**$ 53,627**	**$ 12,735**
Furniture and fixtures	**360,360**	**187,376**	**172,984**
Computer equipment	**1,020,977**	**790,503**	**230,474**
	$ 1,447,699	**$ 1,031,506**	**$ 416,193**

2006

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 65,453	$ 50,632	$ 14,821
Furniture and fixtures	307,998	173,388	134,610
Computer equipment	972,302	711,269	261,033
	$ 1,345,753	$ 935,289	$ 410,464

5. DEFERRED REVENUE

Deferred revenue consists of registration fees received to be recognized as revenue in the year in which the related expenses are incurred.

6. PROVISION FOR EMPLOYEE SEVERANCE BENEFITS

Effective April 1, 1998, the Commission commenced recording the estimated liability for accumulated severance pay benefits for certain of its employees. The amount of this estimated liability is determined using the triennial actuarial report of severance obligations as at December 31, 2004, adjusted to March 31, 2007. The Commission will begin recording the estimated liability for accumulated severance pay benefits for the remainder of its employees effective April 1, 2007 based on a new collective agreement. The incremental cost of this additional liability for 2007/08 is estimated to be $309,280.

Severance pay, at the employee's date of retirement, will be determined using the eligible employee's years of service and based on the calculation as set by the Province of Manitoba. The maximum payout is currently 17 weeks at the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Commission.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Commission's employees. Accordingly, the Commission recorded a receivable of $146,079 from the Province of Manitoba, which is an amount that is equal to the estimated liability for accumulated severance pay benefits at March 31, 1998. There are no specific terms of repayment for this receivable and there have been no repayments made by the Province to date.

7. DEFERRED LEASE INDUCEMENTS

The organization has received lease inducements in the form of a rent-free period of approximately ten months. The benefits arising from these lease inducements are amortized over the term of the lease on a straight-line basis as reductions of rental expense. Rental expense has been reduced by $10,500 for the period ending March 31, 2007 ($10,500 in 2006) and a final reduction of $6,125 is expected for the year 2008.

8. COMMITMENTS

The organization has an operating lease for its premises expiring in 2016.

The minimum annual lease payment for the next five years is:

2008	252,519
2009	259,297
2010	266,076
2011	272,855
2012	281,329

9. ECONOMIC DEPENDENCE

A substantial portion of the organization's total revenue is derived from Manitoba Lotteries Corporation in the form of registration fees.

10. PENSION PLANS

Effective April 1, 2005, all employees are members of the Province of Manitoba's defined benefit Superannuation Fund ("the Fund").

The Commission matches employees' current pension contributions to the Fund. Variances between actual funding estimates and actual experience will be revealed in future valuations which may require an increase in the funding contribution rates. Based on the triennial actuarial report of pension obligations as at December 31, 2004, adjusted to March 31, 2007, a reserve of $61,638 has been established as a pension liability for employees whose annual earnings exceed the limit under the Fund plan.

The Commission's portion of contributions to the Fund is recognized as an operating expense in the period of contribution. Total contributions for the year are $156,027. Contributions for the 2006 year were $143,280.

11. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Responsibility for Financial Reporting

The Manitoba Habitat Heritage Corporation

The management of the Manitoba Habitat Heritage Corporation is responsible for the integrity, objectivity and reliability of the financial statements, accompanying notes and other financial information in the annual report.

Management maintains internal control systems to ensure that transactions are accurately recorded in accordance with established policies and procedures. In management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon management's best estimate and judgments up to June 8, 2007.

The responsibility of the Auditor General and staff is to express an independent opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditors' report outlines the scope of the auditors' examination and provides the audit opinion.

Lorne Colpitts

Chief Executive Officer

Manager of Financial Services

June 8, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of the Manitoba Habitat Heritage Corporation

We have audited the statement of financial position of The Manitoba Habitat Heritage Corporation as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 8, 2007

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Financial Position
as at March 31, 2007
(with comparative figures for 2006)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2007	2006
ASSETS						
Current Assets						
Cash	$225,442	$47,947	$171,868		$445,257	$217,754
Funds on deposit with Province of Manitoba (Note 3)	213,285		119,257		332,542	372,917
Accounts receivable						
Government of Canada	135,836	139,400			275,236	309,300
Province of Manitoba	2,490		28,500		30,990	1,905
Delta Waterfowl Foundation	41,306				41,306	89,961
Other	2,188				2,188	2,022
Manitoba Agro Woodlot Program	68,159				68,159	
Due from North American Waterfowl Management Plan		150,000		$(150,000)		
Due from Riparian Program	48,335			(48,335)		
Prepaid expenses	33,006				33,006	18,981
	770,047	337,347	319,625	(198,335)	1,228,684	1,012,840
Capital Assets (Note 5)			6,330,349		6,330,349	5,205,154
Trust Assets (Note 12)					1,016,846	1,029,727
TOTAL ASSETS	$770,047	$337,347	$6,649,974	$(198,335)	$8,575,879	$7,247,721
LIABILITIES						
Current Liabilities						
Accounts payable and accrued liabilities	$97,494	$14,047	$34,755		$146,296	$173,300
Due to North American Waterfowl Management Plan		48,335		$(48,335)		
Due to Riparian Program	150,000			(150,000)		
Deferred contributions related to operations (Note 6)		237,107			237,107	67,107
Deferred contributions related to capital assets (Note 7)			314,125		314,125	301,505
	247,494	299,489	348,880	(198,335)	697,528	541,912
FUND BALANCES						
Invested in Capital Assets			6,301,094		6,301,094	5,150,393
Unrestricted	522,553	37,858			560,411	525,689
Trust Liabilities (Note 12)					1,016,846	1,029,727
TOTAL LIABILITIES & FUND BALANCES	$770,047	$337,347	$6,649,974	$(198,335)	$8,575,879	$7,247,721

On behalf of the Board:

Director

Director

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Operations and Changes in Fund Balances for the year ended March 31, 2007 (with comparative figures for 2006)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2007	2006
REVENUE						
Government of Canada contributions	$297,094	$154,400			$451,494	$592,035
Province of Manitoba contributions	645,000	38,412			683,412	689,000
Highways Mitigation Fund, Province of Manitoba	61,670				61,670	92,455
Contributed services, Province of Manitoba	76,722	14,946			91,668	97,171
Delta Waterfowl Foundation	116,459				116,459	52,852
Donations	278				278	390
Interest income	5,798	1,018			6,816	3,366
Other	32,715	1,269			33,984	29,145
Management fees (Note 13)	162,261			$(111,929)	50,332	57,030
	1,397,997	210,045		(111,929)	1,496,113	1,613,444
EXPENSES						
Amortization of capital assets			30,664		30,664	26,571
Loss on disposal of capital assets						2,454
Service delivery – Schedule 1	1,252,603				1,252,603	1,229,789
– Schedule 2		277,958		(111,929)	166,029	207,819
	1,252,603	277,958	30,664	(111,929)	1,449,296	1,466,633
Excess (deficiency) of revenue over expenses	145,394	(67,913)	(30,664)		46,817	146,811
FUND BALANCES						
Fund balances, beginning of year	418,725	106,964	5,150,393		5,676,082	4,791,142
Investment in capital assets			866,006		866,006	738,129
Donated land and land use rights			272,600		272,600	
Interfund transfers (Note 8)	(41,566)	(1,193)	42,759			
Fund balances, end of year	$522,553	$37,858	$6,301,094		$6,861,505	$5,676,082

The accompanying notes are an integral part of these financial statements.

THE MANITOBA HABITAT HERITAGE CORPORATION

Statement of Cash Flows
for the year ended March 31, 2007
(with comparative figures for 2006)

	North American Waterfowl Management Plan	Riparian Program	Capital Assets	Inter Plan/ Program Eliminations	2007	2006
OPERATING ACTIVITIES						
Excess (deficiency) of revenue over expenses	$145,394	$(67,913)	$(30,664)		$46,817	$146,811
Amortization of capital assets			30,664		30,664	26,571
Net change in non-cash working capital	165,667	(154,821)			10,846	(93,564)
Loss on disposal of capital assets						2,454
Increase in deferred contributions related to operating activities		170,000			170,000	(15,569)
Net cash used in operating activities	311,061	(52,734)			258,327	66,703
FINANCING AND INVESTING ACTIVITIES						
Purchase of capital assets			(42,759)		(42,759)	(52,139)
Net change in accounts receivable for acquisition of land rights			(28,500)		(28,500)	28,451
Received restricted grants for purchase of land rights			866,006		866,006	738,129
Acquisition of land rights with restricted grants			(840,500)		(840,500)	(721,630)
Net change in accounts payable for acquisition of land rights			(38,066)		(38,066)	(11,875)
Increase in deferred contributions related to capital assets			12,620		12,620	(32,803)
Received donation of land and land rights			272,600		272,600	
Acquisition of donated land and land rights			(272,600)		(272,600)	
Net cash used in financing and investing activities			(71,199)		(71,199)	(51,867)
Net increase (decrease) in cash	311,061	(52,734)	(71,199)		187,128	14,836
Cash and cash equivalents, beginning of year	169,232	101,874	319,565		590,671	575,835
Interfund transfers	(41,566)	(1,193)	42,759			
Cash and cash equivalents, end of year	$438,727	$47,947	$291,125		$777,799	$590,671
Cash and cash equivalents consist of :						
Cash	$225,442	$47,947	$171,868		$445,257	$217,754
Funds on deposit with Province of Manitoba	213,285		119,257		332,542	372,917
	$438,727	$47,947	$291,125		$777,799	$590,671

THE MANITOBA HABITAT HERITAGE CORPORATION

Notes to Financial Statements
March 31, 2007

1. Nature of Organization

The Manitoba Habitat Heritage Corporation (MHHC) was established in 1986 as a Crown Corporation under *The Manitoba Habitat Heritage Act*. The objectives of the Corporation are the conservation, restoration and enhancement of Manitoba fish and wildlife habitat and the associated fish and wildlife populations. Donations to the Corporation are tax deductible by the donor pursuant to *The Income Tax Act*, as gifts to Her Majesty. The Corporation is involved in the following initiatives:

a) The North American Waterfowl Management Plan (NAWMP)

Under Order-in-Council 634/89, the Corporation is authorized to be the Provincial agency responsible for coordinating the delivery of the North American Waterfowl Management Plan in Manitoba.

b) The Riparian Program (RP)

In January, 1994, the Board of Directors of the Corporation directed staff to develop a strategy to deal with protection, restoration and enhancement of riparian habitat in agro-Manitoba. In fiscal year 2002/03, the name of the program was changed from Green Banks to the Riparian Stewardship Program. In 2006/07 it was changed to the Riparian Program to reflect the broadening of the program activities.

A management fee is charged by the Corporation for services provided by NAWMP to this program.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are:

a) Revenue Recognition

The Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Restricted contributions relating to land and land use rights, which are not amortized, are accounted for as increases in the Capital Assets Fund balance when the capital asset is purchased. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Management fees are recognized as revenue in the year the service is provided.

b) Capital Assets

The Capital Assets Fund reports the Corporation's capital assets and related amortization expenses.

Purchased capital assets are recorded at cost and donated capital assets are recorded at fair market value at the date the asset is donated.

2. Significant Accounting Policies (continued)

Amortization of capital assets is recorded on a straight-line basis over the estimated useful lives of the capital assets at the rates indicated below.

Computer hardware	–	20%
Computer software	–	33%
Equipment	–	10%
Furniture and fixtures	–	10%

c) Contributed Services

Services are contributed by the Province of Manitoba's Department of Water Stewardship, Ecological Services Division. Contributed services are recorded at cost, which is fair value.

d) Financial Instruments

The carrying amounts of current asset and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

e) Recent Accounting Pronouncements

In January 2005, the Canadian Institute of Charter Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Transitional provisions are complex and vary based on the type of financial instruments under consideration. The Corporation is in the process of determining the effect of these new standards on its financial statements.

f) Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of capital assets. These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

3. Funds on Deposit with Province of Manitoba

Funds on deposit with the Province of Manitoba will mature between April 30, 2007, and June 11, 2007, yielding 4.0%.

4. Comparative Figures

Certain amounts of prior year's comparative figures have been reclassified to conform with the current year presentation.

5. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Land and land use rights	$6,218,578		$6,218,578	$5,105,211
Computer hardware	208,702	$155,076	53,626	47,844
Computer software	56,888	43,122	13,766	7,258
Equipment	95,191	57,201	37,990	35,855
Furniture and fixtures	56,796	50,407	6,389	8,986
Total capital assets	$6,636,155	$305,806	$6,330,349	$5,205,154

Purchases of capital assets in the period are as follows:

	2007	2006
Land and land use rights	$1,113,369	$730,980
Computer hardware	24,505	30,837
Computer software	11,760	6,453
Equipment	5,813	10,593
Furniture and fixtures	413	4,255
	$1,155,860	$783,118

The sources of funding for land and land use rights are as follows:

	2007	2006
Environment Canada	$291,438	$299,160
Delta Waterfowl Foundation	376,070	340,280
Manitoba Water Stewardship	109,158	
Manitoba Infrastructure and Transportation	33,310	49,285
Manitoba Conservation Districts	30,525	42,255
Manitoba Conservation	268	
Donations	272,600	
	$1,113,369	$730,980

6. Deferred Contributions Related to Operations

Deferred contributions reported in the respective funds relate to restricted funding received in the current period that is related to expenses of future periods.

Changes in the deferred contributions balance reported in the respective funds are as follows:

	NAWMP	RP	2007 Total	2006 Total
Balance, beginning of year		$67,107	$67,107	$82,676
Less: Revenue recognized in the year		(10,000)	(10,000)	(82,676)
Add: Revenue received related to the following year		180,000	180,000	67,107
Balance, end of year		$237,107	$237,107	$67,107

Riparian Program

The balance of $67,107, originating from the Manitoba Rural Adaptation Council, is restricted for riparian conservation and enhancement activities. The balance of $140,000 is restricted to the Watershed Management Planning Program. The remainder of $30,000 is restricted for the delivery of Riparian Easements.

7. Deferred Contributions Related to Capital Assets

Deferred contributions reported in the Capital Assets Fund represent restricted contributions received with which land and land use rights will be purchased. When the land and land use rights are purchased the related restricted contributions will be transferred from deferred contributions related to capital assets to the Capital Assets Fund balance.

Changes in the deferred contributions balance in the Capital Assets Fund are as follows:

	NAWMP	RP	2007 Total	2006 Total
Balance, beginning of year	$211,505	$90,000	$301,505	$334,308
Add: Contributions received	49,150	$191,588	240,738	134,530
Add: Interest earned	7,182		7,182	7,037
Less: Amounts returned		(6,063)	(6,063)	
Less: Amounts transferred to fund balance	(120,080)	(109,158)	(229,238)	(174,370)
Balance, end of year	$147,757	$166,367	$314,124	$301,505

The balance of $314,125 is restricted to signed conservation agreements (land use rights) with landowners, and staff time to complete the projects.

The contributions received in 2007 totaled $240,738 consisting of, $220,088 from the Province of Manitoba and $20,650 from the Turtle Mountain Conservation District. In comparison the contributions received in 2006 included, $90,000 from the Province of Manitoba of which $6,063 was returned in 2007, $9,350 was received from Delta Waterfowl Foundation and $35,180 from the Turtle Mountain Conservation District.

THE MANITOBA HABITAT HERITAGE CORPORATION

Notes to Financial Statements
March 31, 2007

8. Interfund Transfers

In 2007, $41,566 was transferred from the NAWMP operating funds and $1,193 from the RP operating funds to the Capital Asset fund in order to fund the cash outlays for capital asset acquisitions.

9. Operational Commitments

a) The Corporation leases space under existing leases for six NAWMP offices. The minimum annual lease payments for the next two years are as follows:

2008	$70,026
2009	$47,307

b) The Corporation leases vehicles and office equipment under NAWMP. The minimum annual lease payments for the next two years are as follows:

2008	$12,263
2009	$12,263

10. Capital Commitments

At March 31, 2007, the NAWMP and RP had signed several commitments to purchase Conservation Agreements. These Conservation Agreements are to be paid out upon filing of the caveats associated with each Conservation Agreement in the 2008 fiscal year. These commitments totaled approximately $140,013.

11. Group Registered Pension Plan (RPP) Employee Benefits

Under the terms of the Corporation's RPP program, employee contributions to RPP's are matched by the Corporation on a current basis. As a result, the Corporation has no future pension benefit liability to employees. The amounts paid by the Corporation in 2007 were $21,097 (2006 - $18,293).

THE MANITOBA HABITAT HERITAGE CORPORATION

Notes to Financial Statements
March 31, 2007

12. Trust Assets and Liabilities

The Corporation holds assets in trust as follows:

	2007	2006
Cash and short term investments	$423,566	$436,447
Land	593,280	593,280
	$1,016,846	$1,029,727

Details relating to the parties involved and the assets held are included in notes (a) to (g) which follow.

a) The Critical Wildlife Habitat Program (CWHP)

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the CWHP.

The Corporation holds title, in trust, to a portfolio of land and provides banking and financial services for CWHP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the CWHP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	$154,323	$115,956
Land Portfolio	593,280	593,280
	$747,603	$709,236

12. Trust Assets and Liabilities (continued)

b) The Manitoba Agro Woodlot Program (MAWP)

On November 1, 2004 the Corporation began providing administrative support to Manitoba Agriculture, Food and Rural Initiatives for the MAWP.

The Corporation provides banking and financial services for MAWP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the MAWP for these services. Disbursements, from the funds held in trust, are made at the direction of Manitoba Agriculture, Food and Rural Initiatives. The negative cash balance illustrates that The Corporation is lending cash to the program while their funding is still held up in negotiations.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	($4.290)	$39,060

c) Manitoba Forestry/Wildlife Management Project (MFWMP)

The Corporation provides support to the Wildlife and Ecosystem Protection Branch of Manitoba Conservation for the MFWMP.

The Corporation provides banking and financial services for MFWMP funds held in trust. A management fee is allowed, under the agreement, to be charged by the Corporation to the MFWMP for these services. Disbursements, from the funds held in trust, are made at the direction of the Wildlife and Ecosystem Protection Branch. This project was completed this year.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	Nil	$12,194

THE MANITOBA HABITAT HERITAGE CORPORATION

Notes to Financial Statements
March 31, 2007

12. Trust Assets and Liabilities (continued)

d) Prairie Habitat Joint Venture Advisory Board (PHJV)

On May 12, 1990 Manitoba officially joined the PHJV Advisory Board. The PHJV Board's purpose is to oversee implementation of the NAWMP through a joint venture among participating agencies within the prairie provinces. PHJV agreed that the partner agencies would contribute to the costs of a Policy Committee with MHHC holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	$161,945	$134,491

e) Oak Hammock Marsh Wildlife Management Area (OHM-WMA)

On October 2, 2003 the Province of Manitoba, MHHC and Ducks Unlimited Canada signed a five year infrastructure agreement. The Province of Manitoba and Ducks Unlimited Canada agreed to contribute to the costs of restoration to the OHM-WMA with MHHC holding the funds in trust.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	$141,821	$134,746

12. Trust Assets and Liabilities (continued)

f) Prairie Species at Risk Beneficial Management Practices Project (SAR - BMP)

On July 4, 2006 MHHC entered into a two year agreement with Agriculture and Agri Food Canada under their Greencover Canada Program to hire two consultants to undertake the development and implementation of a "Beneficial Management Practices" package for producers focusing on Species at Risk. MHHC agreed to hold the funds in trust. The negative cash balance illustrates that The Corporation is lending cash to the program while their funding is based on an expense recovery system.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	($33,703)	Nil

g) Delta Marsh Rehabilitation

On August 3, 2006 MHHC entered into a contract with Wildlife Habitat Canada to sponsor the purchase of additional land to rehabilitate the Delta Marsh on behalf of the Manitoba Conservation's Wildlife and Ecosystem Protection Branch. MHHC agreed to hold the funds in trust. All lands were purchased and transferred to the Province.

Trust assets held by the Corporation on behalf of this program include:

	2007	2006
Cash and short term investments	$3,470	Nil

THE MANITOBA HABITAT HERITAGE CORPORATION

Notes to Financial Statements
March 31, 2007

13. Management Fees

The Corporation charges for services provided by NAWMP to other programs as follows:

	2007	2006
RP	$111,929	$130,894
MAWP	24,000	25,450
MFWMP	1,295	Nil
CWHP	25,037	31,580
	$162,261	$187,924

14. Economic Dependence

MHHC is economically dependent on the Province of Manitoba to provide the majority of its operational funding.

15. Disclosure Required by the Public Sector Compensation Disclosure Act

Remuneration paid to Board members during the year, in aggregate, totaled $4,900 (2006 - $5,000). Six contract employees were paid the following amounts in the fiscal year:

	2007	2006
T. Sopuck, Manager of Operations	$77,136	$72,446
K. Teneycke, Habitat Field Manager	67,679	64,172
G. Forsyth, Field Representative	52,078	50,851
R. Bullion, Field Representative	52,078	50,851
A. Bourrier, Field Representative	52,078	50,851
G. Ouellette, Manager of Financial Services	51,646	N/A

THE MANITOBA HABITAT HERITAGE CORPORATION
NORTH AMERICAN WATERFOWL MANAGEMENT PLAN

Schedule 1

Schedule of Expenses for the year ended March 31, 2007
(with comparative figures for 2006)

	2007	2006
Expenses		
Habitat activities		
Salaries and benefits	$377,969	$352,637
Field office operations	71,324	77,489
Staff support	82,947	80,206
Nest baskets	51,246	36,698
Land leases	1,981	11,399
Habitat development	9,581	33,910
Property taxes	15,844	12,498
	610,892	604,837
Evaluation	76,471	77,981
Communications		
Salaries and benefits	90,099	84,646
Program delivery	33,924	20,443
	124,023	105,089
Program coordination		
Salaries and benefits	233,515	233,229
Rent	39,556	46,753
Office	51,052	53,407
Other	35,806	36,687
Professional fees	58,239	40,973
Board meetings and remuneration	7,262	11,726
Travel	15,787	19,107
	441,217	441,882
TOTAL EXPENSES	$1,252,603	$1,229,789

THE MANITOBA HABITAT HERITAGE CORPORATION
RIPARIAN PROGRAM

Schedule 2

Schedule of Expenses for the year ended March 31, 2007 (with comparative figures for 2006)

	2007	2006
EXPENSES		
Habitat activities		
Salaries and benefits	$23,652	$19,258
Field office operations	6,126	2,181
Staff support	4,903	5,236
Managed grazing systems		90,918
Workshop expenses	2,639	235
Signage	779	1,429
Habitat management fees	28,887	36,005
	66,986	155,262
Communications		
Salaries and benefits	1,495	
Program delivery	35,244	10,890
Communications management fees	11,596	16,284
	48,335	27,174
Program coordination		
Salaries and benefits	57,501	59,351
Rent	5,757	
Office	4,312	5,897
Other		917
Professional fees	14,810	4,909
Travel	8,760	6,598
Coordination management fees	71,497	78,605
	162,637	156,277
TOTAL EXPENSES	$277,950	$338,713

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in accordance with generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared and of necessity include some amounts based upon management's best estimates and judgements.

As management is responsible for the integrity of the financial statements, management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

Christina Weise

Christina Weise
Executive Director
April, 2007

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Winnipeg Manitoba Canada R3C 4L5
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Auditors' Report

To the Legislative Assembly of Manitoba:

We have audited the statement of financial position of MANITOBA HEALTH RESEARCH COUNCIL as at March 31, 2007 and the statements of operations and fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Winnipeg, Manitoba
April 19, 2007

Statement of Financial Position

March 31, 2007	2007	2006
Assets		
Current Assets		
Cash and bank (Note 2)	$ 606,700	$ –
Short-term investments Market value 2007 – $191,109 (2006 – $633,684)	188,118	636,874
Accounts receivable	269,193	1,332
Accrued interest receivable	3,045	3,679
Prepaid expenses	2,157	2,156
Deposits	500	500
	1,069,713	644,541
Capital Assets (Note 3)	4,368	5,064
	$ 1,074,081	$ 649,605
Liabilities and Fund Balances		
Current Liabilities		
Bank indebtedness (Note 2)	$ -	$ 25,167
Accounts payable and accrued liabilities	11,016	12,402
Research grants payable	803,656	269,783
	814,672	307,352
Commitments (Note 5)		
Fund Balances		
General Research Fund (Page 25)	225,198	301,426
Regional Partnerships Program Fund (Page 25)	34,211	10,827
	259,409	312,253
	$ 1,074,081	$ 649,605

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Operations and Fund Balances

For the year ended March 31			2007	2006
	General Research Fund	Regional Partnership Fund	Total	Total
Revenue				
Province of Manitoba grants	**$1,952,600**	**$ 892,080**	**$2,844,680**	$2,576,929
Grants returned/rescinded	**142,571**	**81,943**	**224,514**	128,512
Investment income	**51,858**	–	**51,858**	37,726
Summit grant	**25,000**	–	**25,000**	–
	2,172,029	**974,023**	**3,146,052**	2,743,167
Expenditures				
Administration (Page 28)	**346,061**	–	**346,061**	215,896
Personnel awards	**861,800**	–	**861,800**	1,081,150
Research grants	**1,040,396**	**980,639**	**2,021,035**	1,618,482
	2,248,257	**980,639**	**3,228,896**	2,915,528
Deficiency of revenue over expenditures for the year	**(76,228)**	**(6,616)**	**(82,844)**	(172,361)
Fund balances, beginning of year	**301,426**	**40,827**	**342,253**	514,614
Fund balances, end of year (Page 24)	**$ 225,198**	**$ 34,211**	**$ 259,409**	$ 342,253

Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	**$ (82,844)**	$ (172,361)
Adjustments for amortization of capital assets	**1,092**	1,266
	(81,752)	(171,095)
Changes in non-cash working capital balances		
Short-term investments	**448,756**	260,620
Accounts receivable	**(267,861)**	(57)
Accrued interest receivable	**634**	6,686
Prepaid expenses	**(1)**	–
Accounts payable and accrued liabilities	**(1,386)**	(663)
Research grants payable	**533,873**	23,761
	632,263	119,252
Cash Flows from Investing Activities		
Purchase of capital assets	**(396)**	(2,201)
Increase in cash and cash equivalents during the year	**631,867**	117,048
Bank indebtedness, beginning of year	**(25,167)**	(142,215)
Cash (bank indebtedness) end of year	**$ 606,700**	$ (25,167)
Supplementary Information:		
Interest received	**$ 52,492**	$ 44,410

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

March 31, 2007

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Financial Instruments	The organization's financial instruments consist of cash and bank, accounts receivable, short-term investments, accrued interest receivable, bank indebtedness, research grants payable and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.
Short-Term Investments	Short-term investments are stated at the lower of cost and market value.
Capital Assets	Capital assets are stated at cost less accumulated amortization. Amortization, based on the estimated useful life of the asset, is calculated as follows: Office equipment 20% diminishing balance basis Computer equipment 20% diminishing balance basis
Fund Accounting	The Manitoba Health Research Council follows the restricted fund method of accounting for contributions. The General Research Fund reports only restricted resources that are used for research purposes. General research grants are charged to expenditures in the year the funding is committed for, by Council. Research grants returned to or rescinded by the Council are recorded as revenues when received or rescinded. Regional Partnership awards are charged to expenditures when funding is received from the Province of Manitoba. Regional partnership awards returned to or rescinded by the Council are recorded as revenues when received or rescinded.
Revenue Recognition	Grant revenue is reflected in income in the period in which the grant is received or becomes receivable. Interest income is recognized as revenue when earned and is allocated proportionately to the Funds on the basis of monthly Fund balances.
Personnel Awards	Personnel awards and their renewals are charged to expenditures when funding is approved by Council.
Administrative Expenditures	Administration expenses are allocated 100% to the General Research Fund.

Notes To Financial Statements

March 31, 2007

1. Entity definition

The Manitoba Health Research Council was established by The Manitoba Health Research Council Act to promote and assist basic, clinical and applied research in the health sciences in Manitoba. The Manitoba Health Research Council is a registered charity and is exempt from tax under the Income Tax Act.

2. Cash and Bank (Bank Indebtedness)

	2007	2006
Bank of Montreal current account	**$ 605,225**	$ 15,599
Wellington West cash account	**1,475**	(40,766)
	$ 606,700	$ (25,167)

3. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Office equipment	**$ 7,454**	**$ 5,738**	$ 7,058	$ 5,308
Computer equipment	**6,955**	**4,303**	6,955	3,641
	$ 14,409	**$ 10,041**	$ 14,013	$ 8,949
Cost less accumulated amortization		**$ 4,368**		$ 5,064

4. Related Party Transactions

Manitoba Health Research Council is related to all Province of Manitoba departments and agencies. During the year, the Council had the following transactions with related organizations:

	2007	2006
Grant Revenue	**$2,844,680**	$2,576,929
Office Rent at no charge – University of Manitoba	–	–

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

5. Commitments

The Manitoba Health Research Council has committed grants and awards under the General Research Fund and the Regional Partnership Fund as follows:

Year	General Research Fund	Regional Partnership Fund	Total
2007	$ 851,947	$ 338,610	$1,154,557
2008	112,904	–	112,904
	$928,851	$ 338,610	$1,267,461

Commitments of future years of the General Research Fund and Regional Partnership Fund are not recorded as an expenditure in the year of commitment, they are recorded as an expenditure in the year they are committed for.

These commitments will be funded as follows:

Current General Research Fund Balance	**$ 225,198**
Current Regional Partnership Fund Balance	**40,827**
Future Province of Manitoba grants	**1,001,436**
	$1,267,461

6. ECONOMIC DEPENDENCE

The Manitoba Health Research Council relies almost entirely on grants from the Province of Manitoba.

Schedule of Administrative Expenses

For the year ended March 31	2007	2006
Accounting and audit	**$ 3,754**	$ 3,749
Amortization	**1,092**	1,266
Bank charges and interest	**217**	364
Communications	**16,584**	16,718
Conferences, meetings and travel	**5,093**	5,033
Council and committee expenses	**5,933**	4,279
Delivery	**2,831**	935
GST expense	–	(69)
Insurance	**4,272**	4,272
Parking	**1,681**	816
Printing, stationery and office supplies	**7,636**	7,346
Promotions	**4,450**	4,300
Repairs and maintenance	**1,944**	3,976
Salaries and benefits	**197,262**	161,273
Telephone	**1,966**	1,638
Summit Expenses	**91,346**	–
	$ 346,061	$ 215,896

MANAGEMENT REPORT

Management of Manitoba Health and Healthy Living is responsible to the Minister of Health for the integrity and objectivity of the financial statements and schedules of the Manitoba Health Services Insurance Plan. The financial statements for the year ended March 31, 2007 have been prepared in accordance with accounting principles consistent with prior years. Included in this year's financial statement is the Schedule of Payments pursuant to the provisions of The Public Sector Compensation Disclosure Act.

Manitoba Health and Healthy Living maintains a system of internal control designed to provide management with reasonable assurance that confidential data and other assets are safeguarded and that reliable operating and financial records are maintained. This system includes written policies and procedures, an internal audit program and an organization structure which provides for appropriate delegation of authority and segregation of responsibilities. Staff of the Office of the Auditor General review internal controls and report their findings annually to management and to the Minister of Health.

The Office of the Auditor General is responsible to express an independent professional opinion on whether the financial statements are fairly stated in accordance with the accounting policies stated in the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

Management has reviewed and approved these financial statements. To assist in meeting its responsibility, an audit committee meets to review audit, financial reporting and related matters.

On behalf of the management:

Arlene Wilgosh
Deputy Minister of Health and
Healthy Living

Heather D. Reichert, CA
Chief Financial Officer and
Associate Deputy Minister

Winnipeg, Manitoba
July 13,2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Minister of Health

We have audited the balance sheet of the Manitoba Health Services Insurance Plan as at March 31, 2007 and the statement of revenue and expenses and net assets for the year then ended. These financial statements reflect the Plan's health program expenses for insured services and the funding provided for these programs from the Department of Health appropriations for the Health Services Insurance Fund and Capital Grants. These financial statements are the responsibility of the management of the Department of Health. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the assets, liabilities and net assets of the Manitoba Health Services Insurance Plan as at March 31, 2007 and the revenue and expenses and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 22, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Manitoba Health Services Insurance Plan
Balance Sheet
As at March 31, 2007

ASSETS

	2007	2006
	(thousands of dollars)	
Cash	$ 21,383	$ 25,212
Funds on deposit with the Province of Manitoba	4,176	155,968
Accounts receivable		
Province of Manitoba	151,793	--
Other Provinces and Territories	20,233	18,832
Other	8,237	2,756
	180,263	21,588
Receivable from the Province of Manitoba (Note 3)	249,767	249,767
	$455,589	$452,535

LIABILITIES AND NET ASSETS

	2007	2006
	(thousands of dollars)	
Accounts payable and accrued liabilities		
Health Authorities and Facilities (Note 14)	$ 81,051	$ 66,240
Medical services claims (Note 14)	87,987	63,546
Pharmacare claims	12,400	12,329
Province of Manitoba	--	36,016
General (Note 14)	23,584	23,837
	205,022	201,968
Vacation pay and post-employment Benefits (Note 3)	249,767	249,767
Net assets	800	800
	$455,589	$452,535

See accompanying notes to financial statements.

Manitoba Health Services Insurance Plan
Statement of Revenue and Expenses, and Net Assets
As at March 31, 2007

	2007	2006
	(thousands of dollars)	
Revenue:		
Grants from the Province of Manitoba	$3,429,413	$3,207,998
Third party recoveries	12,775	11,914
Miscellaneous	40	20
Total revenue	3,442,228	3,219,932
Expenses:		
Health Authorities and Facilities (Note 5, 6 and 14)	2,394,075	2,222,814
Medical (Notes 5, 6, 7 and 14)	735,102	690,434
Provincial programs	99,310	100,059
Pharmacare	213,741	206,625
Total expenses	3,442,228	3,219,932
Revenue over expenses	--	--
Net assets beginning of year	800	800
Net assets end of year	$ 800	$ 800

See accompanying notes to financial statements.

Manitoba Health Services Insurance Plan
Notes to the Financial Statements
For the Year ending March 31, 2007

Note 1 - Nature of Operations

The Manitoba Health Services Insurance Plan (the Plan) operates under the authority of *The Health Services Insurance Act*. The mandate of the Plan is to provide health related insurance for Manitobans by funding the costs of qualified hospital, medical, personal care and other health services. The Plan's financial operations are administered outside of the Provincial Consolidated Fund.

Note 2 - Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Note 3 - Vacation Pay and Post Employment Benefits

The Plan revised, in 2005, its funding arrangements related to vacation pay and post employment benefits. Prior to 2005, the Plan did not fund the annual vacation leave earned by employees of the Regional Health Authorities (Health Authorities) and Health Care Facilities (Facilities) until the year vacations were taken. As well, the Plan did not fund post-employment benefits earned by employees of Health Authorities and Facilities until those post-employment benefits were paid. Funding is now provided as vacation pay and post employment benefits are earned by employees subsequent to March 31, 2004.

Accordingly, the liability for vacation pay and post employment benefits represents the liability as at March 31, 2004. This liability has no fixed terms of repayment. The related receivable from the Province of Manitoba also has no fixed terms of repayment.

Note 4 - Administrative and Operating Expenses

The financial statements do not include administrative salaries and operating expenses related to the Plan. These are included in the operating expenses of Manitoba Health.

Note 5 - Inter-provincial Reciprocal Recoveries

Under inter-provincial reciprocal agreements Canadian residents can obtain necessary hospital and medical services while away from their home provinces or territories. Claims for services are subsequently recovered between provincial governments. In order to reflect the cost of insured services to Manitobans, the recoveries attributable to services for non-Manitoba residents are netted against program expenses.

For the year ended March 31, 2007 the expenses for Health Authorities and Facilities within the Province, of $2,394,075,000 (2006 - $2,222,814,000) are net of reciprocal recoveries of $44,937,000 (2006 - $38,608,000). The expenses for Medical program of $735,102,000 (2006 - $690,434,000) are net of reciprocal recoveries of $11,232,000 (2006 - $10,604,000).

Note 6 - Regional Health Authorities

The following table summarizes payments to the Health Authorities. These payments are included in the financial statements in the expense categories of Health Authorities and Facilities and Medical.

Regional Health Authority	2007 Facilities (000's)	2007 Medical (000's)	2007 Total (000's)	2006 Total (000's)
Winnipeg	$1,558,343	$122,544	$1,680,887	$1,585,745
Brandon	141,350	7,620	148,970	140,106
North Eastman	36,880	3,447	40,327	36,275
South Eastman	54,190	3,991	58,181	53,494
Interlake	74,448	6,194	80,642	78,391
Central	132,069	11,081	143,150	134,244
Assiniboine	109,688	12,782	122,470	115,864
Parkland	89,384	3,807	93,191	87,869
Norman	50,417	7,046	57,463	54,751
Burntwood	41,952	13,232	55,184	51,941
Churchill	10,125	-	10,125	9,791
CancerCare	70,667	7,834	78,501	59,387
Total payments	$2,369,513	$199,578	$2,569,091	$2,407,858

The expense category, Health Authorities and Facilities, in the Statement of Revenue and Expenses, and Net Assets is comprised of the following:

	2007 (000's)	2006 (000's)
Health Authorities payments	$2,369,513	$2,222,367
Accruals and payments to facilities and third parties	69,499	39,055
Reciprocal recoveries	(44,937)	(38,608)
Total expenses	$2,394,075	$2,222,814

The expense category, Medical, in the Statement of Revenue and Expenses, and Net Assets is comprised of the following:

	2007 (000's)	2006 (000's)
Fee for Service Medical payments and accruals	$520,714	$490,223
Health Authorities payments	199,578	185,491
Optometric	5,544	5,337
Chiropractic	9,266	9,383
Total expenses	$735,102	$690,434

Note 7 - *The Public Sector Compensation Disclosure Act*

The Schedule of Payments pursuant to the provisions of *The Public Sector Compensation Disclosure Act* is included as part of the Annual Report of Manitoba Health and Healthy Living.

Note 8 - Legal Actions

The nature of the Plan's activities is such that there may be litigation pending or in progress at any time. With respect to claims at March 31, 2007, no provision has been made in the financial statements as the final outcome of the claims is not determinable at this time.

Note 9 - Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Note 10 - Financial Instruments

The Manitoba Health Services Insurance Plan's financial instruments consist of cash, funds on deposit, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that Manitoba Heath Services Insurance Plan is not exposed to significant interest, currency or credit risk arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Note 11 - Statement of Cash Flows

These financial statements do not include a Statement of Cash Flows. In the opinion of management, the Statement of Cash Flows does not provide additional disclosure.

Note 12 - Economic Dependence

The Manitoba Health Services Insurance Plan is economically dependent on the Province of Manitoba for its funding.

Note 13 - Related Party Transactions

In addition to those related transactions disclosed elsewhere in these financial statements, the Manitoba Health Services Insurance Plan is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Plan enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

Note 14 - Restatement of Prior Year Comparative Figures

At March 31, 2006, the total liability of Wait List Funding for the amount of $7,200,000 was recorded as a General Accrual and an expense in Health Authorities and Facilities. This amount has now been restated to Health Authorities and Facilities, and Medical services claims at March 31, 2006. The effects of these restatements are as follows:

	Balance as Previously Reported $(000s)	Restatement $(000s)	Balance as restated $(000s)
Accounts payable and accrued liabilities			
Health Authorities and Facilities	$60,656	$5,584	$66,240
Medical services claims	$61,930	$1,616	$63,546
General	$31,037	($7,200)	$23,837
Expenses			
Health Authorities and Facilities	$2,224,430	($1,616)	$2,222,814
Medical	$688,818	$1,616	$690,434

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the annual report, is consistent with that in the financial statements.

Management maintains internal controls to provide reasonable assurance as to the reliability and accuracy of the financial information and to ensure that the assets of the Commission are properly safeguarded.

The responsibility of the Auditor General for Manitoba is to express an independent professional opinion as to whether the financial statements are presented fairly, in all material respects.

Larry Huber
Executive Director

Date: May 16th, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Horse Racing Commission

We have audited the balance sheet of the Manitoba Horse Racing Commission as at March 31, 2007 and the statement of operating revenue and expenditure and fund balances for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Horse Racing Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 1, 2007

THE MANITOBA HORSE RACING COMMISSION

Exhibit A

Balance Sheet
as at March 31, 2007
(with 2006 figures for comparison)

			Restricted Funds				Total	
	General Fund	**Capital Asset Fund**	**Pari-Mutuel Levy Fund**	**Rural Fund**	**H.B.P.A. Fund**	**C.T.H.S. Fund**	**Year ended March 31 2007**	**2006**
ASSETS								
Current assets:								
Cash on hand and in bank	$ 38,053	$ -	$ -	$ 4,584	$ 115,256	$ 255,855	**$ 413,748**	$ 284,511
Pari-mutuel levy receivable	-	-	47,394	-	-	-	**47,394**	30,551
Pari-mutuel levy distribution receivable	4,930	-	-	-	33,557	8,907	**47,394**	30,551
Pre paid expenses	7,388	-	-	-	-	-	**7,388**	10,605
Accounts Receivable	15,430	-	-	-	-	-	**15,430**	32,220
	65,801	-	47,394	4,584	148,813	264,762	**531,354**	388,438
Long term receivable:								
Province of Manitoba (Note 3)	288,336	-	-	-	-	-	**288,336**	271,207
Capital assets, net (Note 5)	-	15,255	-	-	-	-	**15,255**	15,371
	$ 354,137	$ 15,255	$ 47,394	$ 4,584	$ 148,813	$ 264,762	**$ 834,945**	$ 675,016
LIABILITIES								
Current liabilities:								
Accounts payable and accrued liabilities	$ 15,957	$ -	$ -	$ 4,584	$ 148,813	$ 264,762	**$ 434,116**	$ 292,005
Deferred revenue	2,915	-	-	-	-	-	**2,915**	1,770
Due to C.T.H.S. Fund	-	-	8,907	-	-	-	**8,907**	5,852
Due to General Fund	-	-	4,930	-	-	-	**4,930**	3,141
Due to H.B.P.A. Fund	-	-	33,557	-	-	-	**33,557**	21,558
	18,872	-	47,394	4,584	148,813	264,762	**484,425**	324,326
Long term liability:								
Provision for employee pension benefits (Note 3)	288,336	-	-	-	-	-	**288,336**	271,207
	307,208	-	47,394	4,584	148,813	264,762	**772,761**	595,533
Fund Balances - Exhibit B								
Unrestricted	46,929	-	-	-	-	-	**46,929**	64,112
Invested in Capital Assets	-	15,255	-	-	-	-	**15,255**	15,371
	$ 354,137	**$ 15,255**	**$ 47,394**	**$ 4,584**	**$ 148,813**	**$ 264,762**	**$ 834,945**	$ 675,016

APPROVED BY THE COMMISSION

David Miles Chairman

Bert Houlister Comptroller

See accompanying notes to the financial statements

THE MANITOBA HORSE RACING COMMISSION

Exhibit B

Statement of Operating Revenue and Expenditure and Fund Balances for the year ended March 31,2007
(with 2006 figures for comparison)

			Restricted Funds				Total	
	General Fund	Capital Asset Fund	Pari-Mutuel Levy Fund	Rural Fund	H.B.P.A. Fund	C.T.H.S. Fund	Year ended March 31 2007	2006
Revenue:								
Fees, licenses and fines (Note 4)	$ 126,261	$ -	$ -	$ -	$ -	$ -	$ 126,261	$ 104,028
Grant from the Manitoba Lotteries	38,000	-	-	462,000	-	-	500,000	502,000
Interest	780	-	-	813	5,166	6,326	13,085	6,309
Pari-mutuel levy	-	-	2,985,302	-	-	-	2,985,302	3,088,613
Pari-mutuel levy fund distribution	309,828	-	-	-	2,112,408	563,066	2,985,302	3,088,613
Sundry	34	-	-	-	-	-	34	90
Employee future benefits - (Note 3)	17,130	-	-	-	-	-	17,130	63,955
	492,033	-	2,985,302	462,813	2,117,574	569,392	6,627,114	6,853,608
Expenditure:								
General Fund expenditures, Exhibit C	507,504	-	-	-	-	-	507,504	532,831
Overnight purse support thoroughbred	-	-	-	-	2,117,574	-	2,117,574	2,186,633
Owners/breeders incentive thoroughbred	-	-	-	-	-	569,392	569,392	586,791
Pari-mutuel levy fund distribution	-	-	2,985,302	-	-	-	2,985,302	3,088,613
Quarter Horse support	-	-	-	12,000	-	-	12,000	12,000
Amortization of capital assets	-	1,828	-	-	-	-	1,828	1,657
Standardbred rural	-	-	-	450,813	-	-	450,813	450,441
	507,504	1,828	2,985,302	462,813	2,117,574	569,392	6,644,413	6,858,966
Excess (deficiency) of revenues over expenses	(15,471)	(1,828)	-	-	-	-	(17,299)	(5,358)
Funds transfer (Note 2F)	(1,712)	1,712	-	-	-	-	-	-
Fund balances at beginning of year	64,112	15,371	-	-	-	-	79,483	84,841
Fund balances end of year	$ 46,929	$ 15,255	$ -	$ -	$ -	$ -	$ 62,184	$ 79,483

See accompanying notes to the financial statements

THE MANITOBA HORSE RACING COMMISSION

Exhibit C

Statement of General Fund Operating Expenditure
for the year ended March 31, 2007
(with 2006 figures for comparison)

	2007	2006 (Note 7)
Expenditure:		
Commissioners' per diem and honoraria	**$ 20,828**	$ 15,364
Drug, alcohol and security	**4,705**	7,454
Employee benefits	**26,736**	28,103
Equipment rentals	**1,275**	1,390
Insurance	**968**	-
Memberships and dues	**6,845**	7,145
Office	**13,070**	5,874
Pension cost	**31,402**	77,847
Professional fees	**8,400**	11,933
Recruiting costs	**1,927**	-
Repairs and maintenance	**1,822**	2,996
Salaries:		
Administration	**125,595**	121,206
Security	**17,295**	17,584
Stewards and judges	**153,380**	138,315
Veterinarian services	**50,124**	51,836
Sundry	**-**	3,602
Support grant	**15,823**	9,382
Telephone	**6,602**	7,273
Travel	**20,707**	25,527
	$ 507,504	$ 532,831

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2007

Nature of operations

The Manitoba Horse Racing Commission (Commission) was established under The Horse Racing Commission Act to govern, direct, control and regulate horse racing and the operations of horse race tracks in Manitoba.

The operating expenditures of the Commission in excess of revenue derived from its regulatory activities are funded through an appropriation of the Government of the Province of Manitoba and a grant from the Manitoba Lotteries Corporation. Administrative grant monies drawn down in excess of actual expenditures are retained by the Commission. However, such retained funds in excess of actual expenditures reduce subsequent administrative grants.

Revenues and expenditures related to program delivery and administrative activities of the Commission are reported in the General Fund.

The Capital Asset Fund represents the net investment of the Commission in capital assets.

Effective April 1, 1997, the Pari-Mutuel Levy Act (the "Act") was enacted. The Act provides for the establishment of the Pari-Mutuel Levy Fund for the promotion of horse racing in Manitoba. The fund is collected by the Commission and distributed in accordance with a Plan For Distribution, as required by the Act.

The Rural Fund is used for funding of the rural circuit as well as Quarter Horse racing. Funding for the Rural Fund is provided through a grant from the Manitoba Lotteries Corporation.

The Horsemen's Benevolent Protection Association (H.B.P.A.) Fund is to be used for overnight purses at Assiniboia Downs. Funding for the H.B.P.A. Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

The Canadian Thoroughbred Horsemen Society (C.T.H.S.) Fund is to be used for breeder's and owner's incentives at Assiniboia Downs. Funding for the C.T.H.S. Fund is provided through the Pari-Mutuel Levy Act based on the Plan For Distribution approved by the minister responsible for the administration of the Act.

2. Significant accounting policies

A) Fund accounting

The Commission follows the restricted fund method of accounting for contributions.

B) Revenue recognition

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be estimated and collection is reasonably assured.

Funding from the Province of Manitoba includes the Commission's share of provisions recorded for unfunded pension liabilities.

C) Pension costs

These consist of the employer's share of pension benefits paid to retired employees, as well as the increase in the employee pension benefits liability during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years determined by formula provided by the actuary. The most recent valuation was completed as at December 31, 2004. Experience gains or losses are recognized in the year the actuarial valuation is completed.

D) Use of estimates

In preparing the Commission's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

E) Financial instruments

The Commission's financial instruments consist of cash, accounts receivable and accounts payable. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

F) Fund transfers

Fund transfers represent allocations from the General fund to the Capital Asset Fund for capital acquisitions.

2. Significant accounting policies (continued)

G) Capital assets

Capital assets are recorded at cost. Amortization is provided on a straight-line basis over the assets' estimated useful lives, as follows:

Computer equipment	5 years
Security equipment	10 years
Furniture	10 years

3. Provision for employee pension benefits

The Commission follows the accrual method of accounting for its employee pension benefits liability.

The Province of Manitoba has accepted responsibility for the unfunded portion of the pension liability. Accordingly the provision of employee pension benefits is offset by a receivable from the Province of Manitoba. There are no specific terms of repayment for this receivable.

An actuarial valuation of the employee pension benefit liability as at December 31, 2004 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2001 - 7.25%), 2.50% inflation (2001 – 2.75%), salary rate increases of 3.25% (2001 - 3.5%) and post retirement indexing at 2/3 of the inflation rate. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2007 using a formula provided by the actuary and adjusted for a provision for adverse experience and a trust fund credit.

Provision for employer's share of employees' pension plan:

	2007	2006
Balance, beginning of year	**$ 271,207**	$ 207,251
Experience loss	**-**	47,468
Adjusted beginning balance	**271,207**	254,719
Benefits accrued	**13,198**	12,978
Interest accrued on benefits	**17,823**	17,402
Benefits paid	**(13,892)**	(13,892)
Balance, end of year	**$ 288,336**	**$ 271,207**

THE MANITOBA HORSE RACING COMMISSION

Notes to the Financial Statements
for the year ended March 31, 2007

4. Fees, licenses and fines

	2007	2006
Assiniboia Downs		
Daily licenses	**$ 67,000**	$ 52,880
Fees and licenses	**39,771**	33,263
Fines	**17,610**	16,253
	124,381	102,396
Rural Circuit		
Fees and licenses	**1,160**	995
Fines	**720**	637
	1,880	1,632
	$ 126,261	$ 104,028

5. Capital assets

			2007	2006
	Cost	Accumulated Amortization	**Net Book Value**	Net Book Value
Computer equipment	$ 10,422	$ 1,818	**$ 8,604**	$ 7,612
Security equipment	1,629	336	**1,293**	1,405
Furniture	7,571	2,213	**5,358**	6,354
	$ 19,622	$ 4,367	**$ 15,255**	$ 15,371

6. Statement of cash flows

A statement of cash flows has not been provided as information about financing and investing activities and their effects on cash resources are readily apparent from the other financial statements.

7. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform to the presentation adopted for the current year.

MANAGEMENT REPORT

The accompanying financial statements of The Manitoba Housing and Renewal Corporation are the responsibility of management and have been prepared in accordance with the accounting policies stated in the financial statements. These accounting policies have been applied on a basis consistent with that of the preceding year. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to July 13, 2007.

Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of The Manitoba Housing and Renewal Corporation are properly safeguarded.

The responsibility of the Office of the Auditor General of the Province of Manitoba is to express an independent, professional opinion on whether the financial statements of The Manitoba Housing and Renewal Corporation are fairly presented in accordance with the accounting policies stated in the notes to the financial statements. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management

"Originally Signed By"

Henry Bos, Director, Corporate Services

"Originally Signed By"

Joy Cramer, Assistant Deputy Minister

July 13, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Housing and Renewal Corporation

We have audited the balance sheet of The Manitoba Housing and Renewal Corporation as at March 31, 2007 and the statements of operations, The Manitoba Housing and Renewal Fund Deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

"Originally Signed By"

Office of the Auditor General

Winnipeg, Manitoba
July 13, 2007

THE MANITOBA HOUSING AND RENEWAL CORPORATION
BALANCE SHEET
MARCH 31, 2007

ASSETS

	2007	2006
Cash (note 3)	$ 81,223,893	$ 75,156,460
Accounts receivable and accruals (note 4)	37,188,932	38,433,543
Prepaid expenses	3,652,360	3,919,879
Loans and mortgages receivable (note 5)	153,052,416	155,989,518
Investment in land and housing:		
Housing projects (note 6)	67,255,946	72,951,628
Housing investment (note 7)	1,245,440	1,666,590
Land development costs	5,657,328	3,532,329
Land (note 9)	15,434,428	11,407,929
	89,593,142	89,558,476
	$364,710,743	$363,057,876

LIABILITIES AND FUND BALANCE

	2007	2006
Accounts payable, holdbacks and accruals	37,075,248	$ 35,239,830
Deferred revenue (note 10)	14,300,951	8,584,234
Long-term debt (note 11)	487,924,706	497,787,420
Risk reserve fund (note 12)	10,848,859	10,430,339
Deferred contributions (note 12)	55,214,863	54,905,797
The Manitoba Housing and Renewal Fund Deficit	(240,653,884)	(243,889,744)
Contingencies (note 21)		
Commitments (note 22)		
Guarantees (note 23)		
	$364,710,743	$363,057,876

Approved by the Board of Directors:

__________________________ Director　　__________________________ Director

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2007

	2007	2006
Revenue:		
Grants from the Province of Manitoba (note 13)	$ 52,574,850	$ 38,830,779
Contributed services (note 14)	2,094,200	2,532,900
Rental revenue (note 15)	63,611,525	63,011,604
Subsidy contributions	62,876,098	68,637,291
Interest:		
Loans and mortgages	15,169,779	15,673,102
Bank and other	99,702	44,934
	15,269,481	15,718,036
Sales of land - joint venture (note 8)	4,755,762	3,896,868
Other	8,078	125,559
	201,189,994	192,753,037
Expenses:		
Housing operations (note 15)	117,379,848	113,295,512
Rental subsidies (note 16)	45,131,521	43,636,491
Grants and subsidies (note 17)	5,292,680	3,225,661
Interest expense (note 18)	15,130,855	15,454,791
Administrative services (note 14)	1,669,800	1,559,700
(Gain) on sale of housing projects and land	(185,833)	(414,035)
(Recovery) of provision for loss and write downs	(13,120)	(68,271)
Cost of land sales - joint venture	2,099,952	2,822,439
Repair and renovation expense (note 14)	10,630,698	9,912,681
Other	593,926	838,511
Pension (note 19)	223,807	851,238
	197,954,134	191,114,718
Excess of revenue over expenses	$ 3,235,860	$ 1,638,319

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF THE MANITOBA HOUSING AND RENEWAL FUND DEFICIT
YEAR ENDED MARCH 31, 2007

	2007	2006
Deficit at beginning of year as previously reported	$(243,889,744)	$(245,528,063)
Add – excess of revenue over expenses	3,235,860	1,638,319
Deficit at end of year	$(240,653,884)	$(243,889,744)

(see accompanying notes)

THE MANITOBA HOUSING AND RENEWAL CORPORATION
STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2007

	2007	2006
Cash provided by (used for):		
Operating activities:		
Excess of revenue over expenses	$ 3,235,860	$ 1,638,319
Add (deduct) items not involving cash:		
Amortization	7,300,247	8,366,084
(Recovery) of provision for loss and write downs	(13,120)	(68,271)
Gain on sale of housing projects and land	(185,833)	(414,035)
Federal subsidies - housing projects	(743,433)	(743,433)
	9,593,721	8,778,664
Net change in non-cash balances related to operations:		
Accounts receivable and accruals	1,244,611	(2,852,458)
Prepaid expenses	267,519	(1,248,915)
Accounts payable, holdbacks and accruals	1,835,418	(1,299,332)
Deferred revenue	5,716,717	6,450,544
Deferred contributions	309,066	(2,328,866)
Land development costs in joint venture (note 8)	(440,106)	764,478
Land in joint venture (note 9)	198,301	248,347
Risk reserve fund	418,520	299,059
	19,143,767	8,811,521
Financing activities:		
Borrowings	6,007,987	4,617,798
Repayment of borrowings	(15,870,701)	(14,683,782)
	(9,862,714)	(10,065,984)
Investing activities:		
Additions to land and housing	(6,381,535)	(3,555,959)
Additions to loans and mortgages	(510,477)	(42,024)
Proceeds from sale of housing projects and land	230,813	637,870
Proceeds from repayment of loans and mortgages	3,447,579	4,911,172
	(3,213,620)	1,951,059
Increase (decrease) in cash	6,067,433	696,596
Cash at beginning of year	75,156,460	74,459,864
Cash at end of year	$81,223,893	$75,156,460

(see accompanying notes)

1. Authority

The Manitoba Housing and Renewal Corporation (MHRC) operates under the authority of The Housing and Renewal Corporation Act, being Chapter H 160 Revised Statutes of Manitoba 1987. The purposes and objects of the Act are:

a) to ensure that there is an adequate supply of housing stock in Manitoba;

b) to enhance the affordability of, and accessibility to, adequate housing for Manitobans, particularly those of low and moderate income and those with specialized needs;

c) to maintain and improve the condition of existing housing stock; and

d) to stimulate and influence the activities of the housing market to the benefit of Manitobans as a whole.

MHRC is under the management and control of a Board of Directors appointed by the Lieutenant Governor in Council. The board shall consist of not fewer than five members and not more than 13 members and the Lieutenant Governor in Council may designate one of the members of the board as chairperson and one member as vice-chairperson.

The Corporation is economically dependent on the Government of the Province of Manitoba.

These financial statements include, in note 15, the operating results of MHRC owned properties which are managed by The Manitoba Housing Authority (MHA). MHA was incorporated in 1992 as an agency of MHRC.

MHA is under the management and control of a Board of Directors who are appointed by the Minister of Family Services and Housing.

2. Significant accounting policies

a) Basis of accounting

The Corporation's financial statements are prepared using Canadian generally accepted accounting principles.

b) Loans and mortgages receivable

Loans and mortgages receivable are valued at principal amounts less an allowance for loan impairment.

c) Loan forgiveness

Loan forgiveness for forgivable loans is approved in accordance with the terms of the loan agreements. The Corporation records an asset valuation allowance equal to the amount of the loan at the time the loan is granted. As forgiveness conditions are met by the borrower, the Corporation records the annual forgiveness by reducing both the forgivable loan and the accompanying valuation allowance.

d) Allowance for loan impairment

The Corporation maintains an allowance for loan impairment, which reduces the carrying value of loans and mortgages receivable to their estimated realizable amounts. Depending on the program under which the loan or mortgage is made, estimated realizable amounts are determined with reference to the Corporation's historical loss experience on similar loans or the appraised value of the project financed by the loan or mortgage.

Specific allowances are established for individual loans and mortgages for which the estimated realizable amount is less than the carrying value. The Corporation does not provide any additional non-specific, general provision for loan impairment. The Corporation's Board of Directors has approved a policy which defines whether an individual mortgage or loan balance is to be considered impaired based on the time period that it has been in arrears.

e) Housing projects and amortization

i) Social housing projects are valued at cost less accumulated amortization.

ii) Market housing projects are valued at the lesser of cost less accumulated amortization and net realizable value.

iii) Cost includes direct construction costs, land acquisition costs and interest and other related carrying charges incurred during the period of construction.

iv) Housing projects which are declared abandoned or surplus to the needs of the Corporation are valued at the lesser of cost less accumulated amortization and net realizable value.

v) Housing projects are amortized on a straight-line basis over their estimated useful lives as follows:

Wood buildings – 25 years
Brick buildings – 40 years

f) Housing investment

Housing investment is valued at cost less accumulated amortization. Annual amortization is recorded on a straight-line basis over the estimated useful lives as follows:

Wood buildings – 25 years
Brick buildings – 40 years

g) Interest in joint venture

The interest in joint venture is recognized using the proportionate consolidation method. Proportionate consolidation is a method of accounting and reporting whereby MHRC's prorata share of each of the assets, liabilities, revenues and expenses of the joint venture is combined on a line by line basis with similar items in MHRC's financial statements.

h) Land

Land is valued at the lower of cost and appraised value adjusted for estimated disposition costs, except for land leased to co-operatives. Cost includes acquisition costs and related carrying costs. The carrying costs of the land, which include interest, planning and development costs, grants in lieu of taxes, less revenue derived from use of undeveloped land, were capitalized to land to March 31, 1993. Effective April 1, 1993 the carrying costs are charged annually to operations. Cost for land acquired after March 31, 1993 consists of the original purchase price.

Land leased to co-operatives is valued at original cost. The Corporation incurs no liabilities or obligations with respect to the lessees' buildings situated on the land. The carrying costs of the land, net of lease revenue, are charged annually to MHRC operations.

i) Land development costs

Land development costs include interest, planning, development and administrative costs. These costs are capitalized as land development costs to the date of sale of the related land.

j) Revenue recognition

Grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Rental revenue is recognized in the fiscal period during which the service is provided.

Subsidy contributions are recognized on an accrual basis in the fiscal period to which they relate.

Interest is recognized on an accrual basis in the fiscal period in which it is earned.

k) Interest capitalization

Interest costs on financing related to housing projects and housing investments are capitalized to the date of completion.

l) Pension costs and obligations

Current service contributions for MHA employees are recognized as operating expenses. The Corporation has no further liability associated with the annual cost of pension benefits earned by MHA employees.

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003.

m) Contributed and administrative services

Under an agreement entered into between The Manitoba Housing and Renewal Corporation and the Department of Family Services and Housing, in 1984, the Department provides administrative services to MHRC at no cost. The value of these contributed and administrative services is recorded as revenue and expenses.

n) Modernization and improvement

Modernization and improvement costs are recognized as expenses in the fiscal period in which they are incurred.

o) Financial instruments

i) Financial Risk

Financial risk is the risk to the Corporation's operations that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Corporation does not use derivative instruments to reduce its exposure to interest risk. This risk is mitigated through the almost exclusive use of fixed rate terms for its mortgages and loans receivable and its long-term debt.

ii) Credit Risk

Credit risk arises from the potential that a counterparty to an agreement with the Corporation will fail to perform its obligations. The Corporation conducts an assessment of credit issues prior to committing to such agreements and it actively monitors the credit risks associated with its accounts receivable and loans and mortgages receivable on an ongoing basis.

iii) Fair Value

There is no secondary market for many of the financial assets in which the Corporation invests or for the debt it issues. These circumstances, together with the uncertainty and potentially broad range of outcomes pertaining to the future cash flows related to these items, render the calculation of fair values, with appropriate reliability, impractical.

p) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. Cash

	2007	2006
On deposit with the Minister of Finance:		
Trust deposits	$53,787,861	$51,970,349
Risk reserve fund (note 12)	10,848,859	10,430,339
Mobile home loan guarantee program fund (note 23)	887,007	852,297
Noon meal program	-	240,984
	65,523,727	63,493,969
Bank	15,691,741	11,654,216
Petty cash	8,425	8,275
Cash	$81,223,893	$75,156,460

4. Accounts receivable and accruals

	2007	2006
Canada Mortgage and Housing Corporation	11,553,610	$16,665,044
Government of the Province of Manitoba and its agencies	8,599,195	5,028,561
Rent receivables - net of allowance of $6,090,113 (2006 - $6,020,436)	1,906,895	1,789,690
Accrued interest on loans and mortgages receivable	514,440	465,437
City of Winnipeg - net of allowance of $67,927 (2006 - $67,927)	135,332	112,991
Other - net of allowance of $12,347 (2006- $12,347)	8,598,015	8,714,222
Government of the Province of Manitoba - pension recoverable (note 19)	5,881,445	5,657,598
Accounts receivable and accruals	$37,188,932	$38,433,543

5. Loans and mortgages receivable

a) Composition of loans and mortgages receivable

	2007	2006
Federal/Provincial Housing:		
Private Non-Profit Housing Program	$ 98,623,505	$100,616,077
Rural and Native Housing Program	9,457	12,030
Urban Native Housing Program	32,334,496	34,513,805
	130,967,458	135,141,912
Market Rental Programs:		
Co-operative HomeStart Program	8,202,736	8,339,559
Co-operative Index Linked Program	7,449,839	7,876,860
Manitoba Rural RentalStart Program	273,887	281,739
Manitoba Senior RentalStart Program	4,390,136	4,487,615
	20,316,598	20,985,773
Other Programs:		
Community Residences Program	3,964,055	4,602,502
Market Homeowner Programs	88,980	103,161
Homeowner Rehabilitation Programs	2,664,384	299,509
Other	1,092,960	910,263
	7,810,379	5,915,435
	159,094,435	162,043,120
Less - allowance for loan impairment	6,042,019	6,053,602
Loans and mortgages receivable	$153,052,416	$155,989,518

Loans and mortgages receivable bear interest at various rates between 0% and 13.5% with maturities at various dates to 2024.

In addition to the loans and mortgages above, forgivable loans outstanding in the amount of $82,613,781 (2006 - $59,271,881) have been approved in accordance with the terms of the loan agreements. An asset valuation allowance equal to the amount of outstanding forgivable loans has been recorded by the Corporation.

b) Allowance for loan impairment

The allowance for loan impairment is comprised of the following specific provisions:

	2007	2006
Market rental programs	5,860,840	$5,878,426
Other programs	181,179	175,176
	$6,042,019	$6,053,602

6. Housing projects

	2007	2006
Housing Projects:		
Land	$ 21,734,065	$ 21,742,696
Buildings	387,234,098	384,830,672
	408,968,163	406,573,368
Under construction	-	1,962,010
	408,968,163	408,535,378
Less - financing provided by CMHC	3,336,712	4,080,145
	405,631,451	404,455,233
Less - accumulated amortization	338,375,505	331,503,605
Housing projects	$ 67,255,946	$ 72,951,628

7. Housing investment

Housing investment represents MHRC's share in social housing projects, which until October 1, 1998 were administered by CMHC and subsequently have been administered by MHRC, under the Rural and Native Housing Program.

On September 3, 1998, MHRC and CMHC executed a Declaration of Trust by which CMHC has transferred their ownership interest in cost-shared and 100% CMHC funded Public Housing projects to MHRC, as trustee. MHRC's interest in these projects will be earned over the remainder of each project's CMHC subsidy commitment period, in amounts which will correspond to the annual amortization of the assets. No increase in housing investment has been recorded by MHRC.

8. Joint venture

The Corporation contributed 179 acres of land, at appraised value, to a joint venture with Ladco Company Limited on May 11, 1989. The appraised value of the land at that time, adjusted for subsequent sales, was $1,358,901 (2006 - $1,557,202) and is included in joint venture land in note 9. The joint venture activities include the servicing, development and sale of approximately 476 acres of land in the City of Winnipeg, Manitoba. In accordance with the terms of the agreement, the Corporation has provided loan guarantees for the purposes of the joint venture development in an amount not to exceed $2,400,000 (note 23).

THE MANITOBA HOUSING AND RENEWAL CORPORATION
NOTES TO FINANCIAL STATEMENTS - MARCH 31, 2007

The following is a summary of the Corporation's pro rata share of the assets, liabilities, revenues and expenses of the Ladco Company Limited joint venture.

	2007	2006
Current Assets:		
Cash and short term investments	$1,384,453	$ 403,336
Accounts receivable from land sales	3,887,450	3,535,415
	5,271,903	3,938,751
Long Term Assets:		
Development in progress	1,466,754	1,026,648
Total Assets	$6,738,657	$4,965,399
Current Liabilities:		
Accounts payable and accrued liabilities	80,772	47,781
Net Assets	$6,657,885	$4,917,618
Sales of land	4,755,761	3,896,868
Cost of land sales	1,901,651	2,574,091
Gross margin	2,854,110	1,322,777
Expenses:		
Interest on bank indebtedness	21,687	13,421
General	90,794	103,520
Other	123,221	165,390
Total expenses	235,702	282,331
Net income for the year	$2,618,408	$1,040,446

9. Land

	2007	2006
Future development or sale	$12,341,135	$ 8,116,335
Leased to co-operatives	1,734,392	1,734,392
Joint venture	1,358,901	1,557,202
Land	$15,434,428	$11,407,929

10. Deferred revenue

	2007	2006
Manitoba Housing Authority tenant prepaid rent	$ 1,968,853	$1,839,015
Other prepaid land lease and subsidy contribution received in advance	280,688	319,641
Affordable Housing Initiative commitments	12,051,410	6,425,578
Deferred revenue	$14,300,951	$8,584,234

11. Long-term debt

	2007	2006
Government of the Province of Manitoba:		
Advances, convertible to long-term advances, at prime interest rates	$ 13,237,893	$ 7,384,038
Long-term advances, at interest rates from 4.75% to 13.375% maturing at various dates to 2030 and requiring annual principal and interest payments of $38,901,053 (2006 - $38,893,348)	305,557,467	316,465,298
Canada Mortgage and Housing Corporation:		
Long-term advances, at interest rates from 5.67% to 8.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $14,988,984 (2006 - $14,624,154)	166,252,608	170,993,655
Mortgages payable (assumed on property acquisitions), at interest rates from 5.125% to 9.625% maturing at various dates to 2030 and requiring annual principal and interest payments of $325,260 (2006 - $325,260)	2,876,738	2,944,429
Long-term debt	$487,924,706	$497,787,420

Principal repayments on the long-term debt are estimated as follows:

2008	$ 16,119,058
2009	17,405,405
2010	18,780,128
2011	20,297,450
2012	21,933,005
Subsequent to 2013	393,389,660
	$487,924,706

12. Deferred contributions and risk reserve fund

Pursuant to the Social Housing Agreement executed by MHRC and CMHC, CMHC will pay fixed annual contributions to MHRC for individual housing projects over the remainder of the CMHC subsidy commitment period. The Agreement took effect October 1, 1998 and has a funding expiration date of August 31, 2031. The Agreement provides that a specified amount of the annual federal contributions must be applied toward housing programs, which assist low income households, as defined in the Agreement. The portion of federal contributions that may be applied toward other housing programs is similarly specified. Unexpended federal contributions are carried forward by MHRC for future use, but such contributions must be fully used, in accordance with the Agreement, by the funding expiration date of August 31, 2031.

Pursuant to the Social Housing Agreement dated September 3, 1998 between CMHC and MHRC, CMHC made a one-time payment of $12,700,000 to MHRC in 1999. This amount was provided for the purpose of mitigating future operating risks associated with MHRC's financial responsibility for housing programs transferred from CMHC pursuant to the Agreement. This amount has been recorded as a risk reserve fund and is increased by interest earned thereon and is reduced as the Corporation incurs expenses as a result of the identified risks.

13. Grants from the Province of Manitoba

	2007	2006
Department of Family Services and Housing:		
MHRC operating programs	$40,382,570	$28,438,876
MHRC administration	6,962,530	6,608,724
Grants and subsidies	4,620,951	2,557,967
	51,966,051	37,605,567
Grants recovered from the Department of Finance:		
School Tax Assistance for Tenants 55 Plus Program	384,992	373,974
Pension recovery (note 19)	223,807	851,238
Grants from the Province of Manitoba	$52,574,850	$38,830,779

14. Contributed and administrative services

	2007	2006
Administrative services provided by the Department of Family Services and Housing were allocated as follows:		
- included in the Statement of Operations, Administrative Services	$ 553,500	$ 587,100
- included in administration expenses in note 15, Manitoba Housing Authority Housing Operations	1,052,500	1,356,600
- included in administration expenses in note 15, Sponsor Managed Housing Operations	20,100	17,600
- included in Rental Subsidies, note 16	396,600	428,800
- included in Statement of Operations, Repair and renovation expense	71,500	142,800
Total Department of Family Services and Housing administrative services provided	$2,094,200	$2,532,900

15. Housing operations

The management and operation of all MHRC social housing projects are the responsibility of the Manitoba Housing Authority and sponsor managed groups. Their operating results are:

	Manitoba Housing Authority Managed	Sponsor Managed	2007	2006
Revenue				
Rental revenue	$51,324,693	$12,286,832	$ 63,611,525	$ 63,011,604
Expenses				
Administration (note 14)	15,252,651	1,826,923	17,079,574	15,958,054
Property operating	48,898,208	8,822,310	57,720,518	52,785,823
Grants in lieu of taxes	8,999,291	1,404,038	10,403,329	10,464,895
Amortization and interest	26,772,578	5,403,849	32,176,427	34,086,740
	99,922,728	17,457,120	117,379,848	113,295,512
Operating loss	$48,598,035	$ 5,170,288	$ 53,768,323	$ 50,283,908

16. Rental subsidies

Pursuant to the Social Housing Agreement executed by MHRC and CMHC on September 3, 1998 which took effect October 1, 1998, CMHC transferred its ownership interest in Public Housing Projects to MHRC in accordance with a Declaration of Trust, and MHRC has assumed sole responsibility for operating policy decisions relating to these projects. Previous agreements provided for the two parties to exercise joint control over operating policies. Rental subsidies are provided through agreements with third parties for which MHRC has assumed operating policy responsibility. The net rental subsidies required by these organizations are:

	2007	2006
Not for profit housing corporations	$26,705,641	$26,304,434
Co-operative housing corporations	3,886,377	3,863,318
Private landlords	4,254,259	4,159,927
Property management agreements	10,285,244	9,308,812
Net rental subsidies	$45,131,521	$43,636,491

17. Grants and subsidies

	2007	2006
Manitoba Shelter Benefit	$4,008,787	$ -
Shelter Allowance for Family Renters	233,687	903,757
Shelter Allowance for Elderly Renters	378,477	1,654,211
School Tax Assistance for Tenants 55 Plus Program	384,992	373,973
Elderly & Infirm Persons Housing	155,423	155,423
Co-op Homestart Program	131,314	138,297
	$5,292,680	$3,225,661

18. Interest expense

In addition to the interest expense of $15,130,855 (2006 - $15,454,791), interest expense in the amount of $25,103,119 (2006 - $25,814,592) is included in note 15 in the amortization and interest expense.

19. Pension obligations

Employees of the Corporation and MHA are eligible for pensions under the Manitoba Civil Service Superannuation Fund. This pension plan is a defined benefit plan, which requires MHA to contribute an amount equal to the employees' contribution to the Superannuation Fund for current services. Such payments are charged to housing operations as incurred and MHRC has no further liability associated with the annual cost of pension benefits earned by MHA employees. Pension expense recorded for MHA employees for the year ended March 31, 2007 is $594,114 (2006 - $554,038).

The Corporation has a liability associated with the annual cost of pension benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The liability of $5,881,445 (2006 - $5,657,598) and the related recoverable amount from the Province of Manitoba of $5,881,445 (2006 - $5,657,598) are recorded in the financial statements. As well, the increase of $223,807 (2006 - $851,238) in the liability and in the recoverable is recorded in the financial statements.

20. Severance pay benefits

Effective April 1, 1998, the Corporation commenced recording the estimated liability for accumulated severance pay benefits for its employees in The Manitoba Housing Authority. The amount of this estimated liability is determined and recorded annually using the method of calculation set by the Province of Manitoba.

Severance pay, at the employee's date of retirement, will be determined by multiplying the eligible employee's years of service (to a maximum of 22 or 15 years) by the employee's weekly salary at the date of retirement. Eligibility will require that the employee has achieved a minimum of nine years of service and that the employee is retiring from the Corporation.

The Province of Manitoba has accepted responsibility for the severance pay benefits accumulated to March 31, 1998 by the Corporation's employees. Accordingly, the Corporation recorded, effective April 1, 1998, a receivable of $877,105 from the Province of Manitoba, which is an amount that is equal to the estimated liability recorded for accumulated severance pay benefits at March 31, 1998.

The Corporation recorded a severance liability as at April 1, 2003 in the amount of $569,000 associated with the severance benefits earned by the former Department of Family Services and Housing employees who were transferred to the Corporation on February 8, 2003. The amount of this estimated liability is determined and recorded annually using a method of calculation set by the Province of Manitoba. The Corporation recorded, effective April 1, 2003, a receivable in the amount of $569,000 from the Province of Manitoba, which is an amount that is equal to the liability recorded for accumulated severance pay benefits at that date. These receivables from the Province of Manitoba have no terms of repayment and accordingly, the amount of the receivable will remain fixed at $1,446,105.

21. Contingencies

The Corporation is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Corporation. Any settlement will be recognized in the year the settlement occurs.

The Corporation provided the City of Winnipeg with a letter of credit under a development agreement. At March 31, 2007 the letter of credit amounted to $2,050,605.

22. Commitments

The Corporation has the following commitments as at March 31, 2007.

a)	Housing project modernization and improvement	$ 2,682,650
b)	Repair and renovation expenses	$17,571,833
c)	Grants and subsidies:	

As a result of the Social Housing Agreement dated September 3, 1998, MHRC is now fully responsible for the funding commitments of all Social Housing Projects in Manitoba. These commitments will expire on a staggered basis over the period ending 2031, concurrent with the Social Housing Agreement funding expiration date of August 31, 2031. An estimate of these commitments for each of the next five years is as follows:

2007	$21,506,100
2008	44,113,100
2009	47,583,600
2010	53,764,000
2011	56,870,900

23. Guarantees

The Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts. The outstanding guarantees are as follows:

	2007	2006
Joint Venture Investment Guarantee (note 8)	$2,400,000	$2,400,000
Mobile Home Loan Guarantee Program	360,684	513,560
Affordable Housing Initiative Loan Guarantee Program	2,598,356	2,768,356
Total guarantees	$5,359,040	$5,681,916

A guarantee fee of 2 1/2% is charged for each mortgage under the Mobile Home Loan Guarantee Program. The assets of the Mobile Home Loan Guarantee Program as at March 31, 2007 are $887,007 (2006 - $852,297) and are included in cash (note 3). The trust fund liability is included in accounts payable.

24. Comparative figures

Certain comparative figures in the financial statements have been restated to conform with the presentation of the current year.

Manitoba

Competitiveness, Training and Trade
Manitoba Development Corporation
1040 - 259 Portage Avenue
Winnipeg MB R3B 3P4
T 204-945-7626 **F** 204-945-1193

THE MANITOBA OPPORTUNITIES FUND LIMITED

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the generally accepted accounting principles. The statements are examined by BDO Dunwoody LLP, Chartered Accountants, whose opinion is included herein.

To fulfill this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies and procedures are established and respected.

BDO Dunwoody LLP have free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

James F. Kilgour, C.A.
General Manager

Kristine Seier, CMA
Secretary-Treasurer

Manitoba
spirited energy

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

700 - 200 Graham Avenue
Winnipeg Manitoba Canada R3C 4L5
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www.bdo.ca

Auditors' Report

To the Board of Directors of
THE MANITOBA OPPORTUNITIES FUND LTD.

We have audited the balance sheet of **THE MANITOBA OPPORTUNITIES FUND LTD.** as at March 31, 2007 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 29, 2007

THE MANITOBA OPPORTUNITIES FUND LTD.
Balance Sheet

March 31	2007	2006
Assets		
Current Assets		
Short-term investments (Note 2)	$ 10,154,715	$ 7,940,089
Accrued interest receivable	59,631	35,935
	10,214,346	7,976,024
Long-term investments (Note 3)	85,854,171	64,419,838
Deferred charges	4,430,534	4,039,380
	$100,499,051	$ 76,435,242
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 1,298,693	$ 559,454
Long-term debt (Note 4)	97,442,148	74,876,561
Retained Earnings	1,758,210	999,227
	$100,499,051	$ 76,435,242

Approved on behalf of the Board:

_______________ Director

_______________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Income and Retained Earnings

For the year ended March 31	2007	2006
Investment Income	$ 3,233,192	$ 2,024,500
Expenses		
Amortization of deferred charges	1,173,897	790,002
Professional fees	4,156	10,272
Program administration	79,576	25,231
	1,257,629	825,505
Operating income for the year	1,975,563	1,198,995
Growing Through Immigration Strategy Support (Note 5)	1,216,580	531,547
Net income for the year	758,983	667,448
Retained earnings, beginning of year	999,227	331,779
Retained earnings, end of year	$ 1,758,210	$ 999,227

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

THE MANITOBA OPPORTUNITIES FUND LTD.
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Net income for the year	$ 758,983	$ 667,448
Adjustments for		
Amortization of deferred charges	1,173,897	790,002
Increase in present value of long-term investments	(2,863,297)	(1,851,652)
	(930,417)	(394,202)
Changes in non-cash working capital balances		
Accrued interest receivable	(23,696)	(23,753)
Accounts payable and accrued liabilities	739,239	556,955
	(214,874)	139,000
Cash Flows from Investing Activities		
Purchase of long-term investments	(18,571,036)	(30,229,121)
Cash Flows from Financing Activities		
Advances from long-term debt	21,000,536	33,777,652
Increase in cash equivalents during the period year	2,214,626	3,687,531
Cash equivalents, beginning of period year	7,940,089	4,252,558
Cash equivalents, end of period year	$ 10,154,715	$ 7,940,089
Represented by		
Short-term investments	$ 10,154,715	$ 7,940,089

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

THE MANITOBA OPPORTUNITIES FUND LTD.
Summary of Significant Accounting Policies

March 31, 2007

Basis of Accounting

The company's financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

Interest revenue on short-term investments is recorded on an accrual basis. Investment income on long-term investments is determined by the difference in the present value of the term note and the cost of the term note.

Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the company at no cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

Deferred Charges

Deferred charges, which reflect the handling fee to be paid to the Government of Canada upon repayment of funds, are amortized over the five year term the related deposits are held.

Short-term Investments

Short-term investments are carried at cost, which approximates market value. Funds available for investment are invested with the Province of Manitoba.

Financial Instruments

The company's financial instruments consist of accrued interest receivable, short and long-term investments, accounts payable, and long-term debt. Unless otherwise noted, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Long-term Investments

Long-term investments are recorded at cost which represents the discounted value of the term notes. Over time, the value of the long-term investments increase equal to the effective interest rates on the term notes. The increase in the present value of the long-term investments during the year is recorded as an increase in the long-term investments and as investment income.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Cash Equivalents

Cash equivalents consists of short-term investments with a term to maturity of 90 days or less.

1. Nature of Operations and Economic Dependence

The Manitoba Opportunities Fund Ltd. (the company) was incorporated under the laws of Manitoba on April 3, 2003. The company was formed due to the requirements of the Fund Agreement between the Minister of Citizenship and Immigration and the Manitoba Fund dated October 21, 2003 to function as an "approved fund" under the Immigrant Investor Program.

The object of the company is to hold and invest the Provincial allocation of immigrant's investments made through the Federal Department of Citizenship and Immigration Canada's (CIC) Immigrant Investor Program. The Federal Immigrant Investor Program seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience, a minimum net worth of CDN $800,000 and make an investment of CDN $400,000. The funds invested are distributed among participating Provinces. After five years, the company returns the Provincial allocation of the $400,000 investment, without interest, to the CIC who then returns the funds to the individual investors who have become permanent residents. However, prior to approval and issuance of a Permanent Resident's Visa an investor may withdraw from the program and CIC will request that the company repay the Provincial allocation of the individual investment at such time.

Manitoba, as a participating Province, through the company invests the Provincial allocation funds for a period of five years and uses the interest income generated on the funds to create jobs and help the Manitoba economy grow.

The company is economically dependent on the Province of Manitoba as the Province of Manitoba is liable for the long-term debt payable to the Federal Government.

2. Short-term Investments

The short-term investments consist of 30 - 90 day deposit certificates held by the Province of Manitoba.

3. Long-term Investments

The long-term investments are made up of several 5 year zero coupon term notes which Manitoba Opportunities Fund Ltd. purchases on a monthly basis from the Province of Manitoba. The maturity dates range monthly from January 2009 to March 2012. The effective interest rates range from 3.35% to 4.51% payable at the end of the 5 year term.

The discount on the bonds are amortized over the 5 year term. The present value of the bond less the face value is recorded each year as interest income.

4. Long-term Debt

	2007	2006
Government of Canada	**$ 97,442,148**	$ 74,876,561

The long-term debt represents the Provincial allocation of immigrant's investments repayable to the Federal Government five years after the Federal Government has distributed these funds to the Manitoba Opportunities Fund Ltd. A handling fee is deducted prior to the funds being distributed to the Manitoba Opportunities Fund Ltd.

Principal repayments for the next five years are:

2008	$ -
2009	1,897,286
2010	38,873,526
2011	33,918,052
2012	22,753,284
	$ 97,442,148

5. Growing Through Immigration Strategy Support

Funds transferred to support the Growing Through Immigration Strategy are made up of the following, as approved by the Treasury Board:

	2007	2006
Business Settlement Office	**$ 210,343**	$ 68,647
Internationally Educated Engineers Qualification Program	**120,000**	120,000
Transfers to the Department of Labour and Immigration	**827,100**	342,900
Manitoba Agriculture, Food and Rural Initiatives	**59,137**	-
	$ 1,216,580	$ 531,547

6. Related Party Transactions

The Fund paid $287,420 (2006 - $93,878) made up of program administration costs of $77,077 (2006 - $25,231) and Growing Through Immigration Strategy Support transfers of $210,343 (2006 - $68,647) to the Manitoba Development Corporation, which operates under control of a common Board of Directors.

MANITOBA
TRADE AND
INVESTMENT
CORPORATION

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Phone (204) 945-2466
Fax (204) 957-1793

May 16, 2007

THE MANITOBA TRADE AND INVESTMENT CORPORATION
MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions and that appropriate policies are established and respected.

The statements are examined by the Office of the Auditor General of Manitoba, whose opinion is included herein. The Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting to the Board.

Hugh Eliasson Chair	Brian Johnston Financial Officer

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba, and
To the Board of Directors of Manitoba Trade and Investment Corporation

We have audited the balance sheet of the Manitoba Trade and Investment Corporation as at March 31, 2007 and the statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Manitoba Trade and Investment Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
May 16, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
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MANITOBA TRADE AND INVESTMENT CORPORATION
BALANCE SHEET
MARCH 31, 2007
(With Comparative Figures for 2006)

		2007		2006
ASSETS		$		$
Current Assets:				
Cash	$	320,305	$	282,836
Short-term investments (Note 3)		500,000		500,000
Accounts Receivable - Trade		6,845		22,767
Accounts Receivable - Province of Manitoba (Note 8)		24,947		20,818
Total Current Assets		852,097		826,421
TOTAL ASSETS	$	852,097	$	826,421
LIABILITIES AND RETAINED EARNINGS				
Current Liabilities:				
Accounts Payable and Accrued Liabilities	$	32,204	$	32,894
Deferred Revenue (Note 4)		16,850		-
Operating Advance Payable (Note 5)		500,000		500,000
Total Current Liabilities		549,054		532,894
TOTAL LIABILITIES	$	549,054	$	532,894
RETAINED EARNINGS		303,043		293,527
TOTAL LIABILITIES AND RETAINED EARNINGS	$	852,097	$	826,421

See accompanying notes to financial statements.

Approved by:

__________________ Chair of the Board

__________________ Financial Officer

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 2007
(With Comparative Figures for 2006)

	2007 $	2006 $
Revenue:		
Contract Fees Recoveries (Note 6)	$ 364,112	$ 407,293
Participation Fees - Province of Manitoba & Government Enterprises (Notes 2 and 6)	2,833	86,771
Participation Fees - Other (Note 2)	32,760	41,961
Interest (Note 6)	19,696	13,517
Administration Fees	3,095	2,601
Total Income	422,496	552,143
Expenses:		
Contract Fees - Trade	373,215	393,490
Program (Note 2)	30,419	119,704
Audit Fees (Note 6)	6,100	8,500
Administration Expenses	3,095	2,601
Miscellaneous	151	-
Total Expenses	412,980	524,295
Net Income for the Year	9,516	27,848
Retained Earnings, beginning of year as originally stated	270,428	903,737
Add: Restatement of Prior Period (Note 8)	23,099	-
Retained Earnings, beginning of year as restated	293,527	-
Less: Transfer of Provincial Nominee Program for Business to Manitoba Development Corporation	-	(638,058)
Retained Earnings, end of year	$ 303,043	$ 293,527

See accompanying notes to financial statements.

MANITOBA TRADE AND INVESTMENT CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2007
(With Comparative Figures for 2006)

Operating Activities:	2007 $	2006 $
Net Income for the year	$ 9,516	$ 27,848
Changes in non-cash working capital		
Accounts Receivable - Trade	15,922	(8,219)
Accounts Receivable - Province of Manitoba	(4,129)	15,083
Accrued Interest - Province of Manitoba	-	81,742
Accounts Payable and Accrued Liablities	(690)	(67,860)
Deferred Revenue	16,850	(1,360)
Net cash flow from (to) operating activities	37,469	47,234
Net increase (decrease) in cash and cash equivalents	37,469	47,234
Cash and cash equivalents, beginning of year	282,836	873,660
Less: Transfer of Provincial Nominee Program for Business to Manitoba Development Corporation	-	(638,058)
Cash and cash equivalents, end of year	$ 320,305	$ 282,836
Cash and cash equivalents reconciliation:		
Cash	$ 320,305	$ 282,836
Short-term investments	500,000	500,000
Short-term investments, term to maturity greater then 90 days	(500,000)	(500,000)
	320,305	282,836

See accompanying notes to financial statements.

1. Nature of Operations and Economic Dependence

The Manitoba Trade and Investment Corporation (the Corporation) was formed by an Act of Legislation in 1974. The objects of the Corporation, as set out in the Act, are to:

- encourage, promote, develop and increase Manitoba exports and trade;
- promote investment in Manitoba; and
- promote international business opportunities for Manitoba businesses and assist Manitoba businesses in promoting those business opportunities.

The Corporation is economically dependent on the Province of Manitoba as all project shortfalls and deficits incurred by the Corporation are recovered from the Province.

2. Significant Accounting Policies

a. Basis of Accounting

The Corporation's financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

b. Participation Fees and Program Expenses

Participation Fees and Program Expenditures are recognized as revenue or expense in the same period that the shows, seminars and projects sponsored by the Corporation are actually held. Fees received in advance of event days are reflected as deferred revenue.

c. Contributed Services

During the year, the Province of Manitoba provided office space and other administrative services to the Corporation at nil cost. Because of the difficulty of estimating the fair value of such expenses, no contributed services are recognized in the financial statements.

d. Use of Estimates

In preparing the Corporation's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. Short–term investments

Short-term investments are carried at cost which approximates market. Funds available for investment are invested with the Province of Manitoba.

4. Deferred Revenue

Deferred revenue represents fees received in advance of event days for specific trade projects. Changes in the deferred balance are as follows:

	2007 $	2006 $
Balance, beginning of year	-	1,360
Less amount recognized as revenue in the year	-	(1,360)
Add amounts received and deferred during the year	16,850	-
Balance, end of year	16,850	-

5. Operating Advance Payable

The Corporation has a $500,000 non-interest bearing working capital advance from the Province of Manitoba. It is payable on demand.

6. Related Party Transactions

The Corporation is related in terms of common ownership to all departments, Crown organizations and government enterprises created by the Province of Manitoba. The Corporation enters into transactions with these entities in the normal course of business and records these transactions at the exchange amount, which is the amount agreed upon by both parties.

During the year, the Corporation's transactions with related entities were as follows:

Contract Fee Recoveries	$364,112
Participation Fees	$2,833
Interest Revenue	$19,696
Audit Fees	$6,100

7. Financial Instruments

The carrying amounts of current assets and liabilities are a reasonable estimate of their fair value because of the short-term maturity of these instruments.

8. Restatement of Prior Period

During the year it was determined that a receivable from the Province of Manitoba was not recorded in the prior year with respect to contract fee recoveries. The correction was accounted for retroactively with a restatement of the prior period. As a result, net income and retained earnings has increased by $23,099, Accounts Receivable – Province of Manitoba has increased by $20,818, and Accounts Payable – Province of Manitoba has decreased by $2,281 as at March 31, 2006.

Manitoba

The Manitoba Water Services Board

Management Report

The accompanying financial statements are the responsibility of management and have been prepared in conformity with the accounting policies noted in the financial statements. The statements are examined by the Office of the Auditor General of the Province of Manitoba, whose opinion is included herein.

To fulfil this responsibility, management maintains internal control systems to provide reasonable assurance that the accounts and records accurately reflect all transactions, and that appropriate policies and procedures are established and respected

The Provincial Auditor General has free access to the Board of Directors, with and without management present, to discuss the results of their audit and the quality of financial reporting of the Board.

Original signed by R. Menon

R. Menon, P.Eng.
General Manager

Original signed by C. Brigden

C. Brigden
Financial Officer

June 1, 2007

Manitoba
spirited energy

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors of The Manitoba Water Services Board

We have audited the balance sheet of The Manitoba Water Services Board as at March 31, 2007, the statements of operating revenues and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
June 1, 2007

The Manitoba Water Services Board

Exhibit A

Balance Sheet

as at March 31, 2007

ASSETS	2007	2006
Current assets		
Cash	$ 592,107	$ -
Restricted cash (Note 3)	-	765,292
Accounts receivable	3,689,281	6,409,612
Prepaid supplies	71,379	72,145
Current portion, construction in progress (Note 4)	4,357,354	1,367,486
Accrued interest	41,291	37,515
Current portion of debentures receivable	-	53,216
	8,751,412	8,705,266
Long term construction in progress (Note 4)	4,458,075	3,160,979
Property plant and equipment (Note 5)	13,304	42,380
	$ 13,222,791	$ 11,908,625

LIABILITIES	2007	2006
Current liabilities		
Bank indebtedness	$ -	$ 930,966
Accounts payable and accrued charges	4,487,072	4,898,438
Advances from the Province of Manitoba payable on demand	10,200,000	6,800,000
Current portion of long-term debt (Note 6)	3,909	152,570
Infrastructure renewal - Whitemud Conservation District (Note 3)	-	765,292
	14,690,981	13,547,266
Long-term debt (Note 6)		
Advances from the Province of Manitoba	-	3,909
Funds retained (Notes 7 and 15)	(1,568,190)	(1,742,550)
Interest adjustment fund account (Note 8)	100,000	100,000
	(1,468,190)	(1,642,550)
	$ 13,222,791	$ 11,908,625

APPROVED BY THE BOARD

Original signed by Andrew Horosko

The Manitoba Water Services Board

Exhibit B

Statement of Operating Revenues and Expenditures

for the year ended March 31, 2007

	2007	2006
Revenues		
Sale of water	$ 1,839,914	$ 1,533,055
Administrative expenses paid by the Province of Manitoba (Note 9)	1,823,808	1,950,193
Interest	127,216	62,523
Total revenues	3,790,938	3,545,771
Expenditures		
Direct expenditures for water supply plants		
Interest - Advances payable on demand	559,431	312,238
- Long-term debt	13,897	27,429
Less: Interest allocated to new construction	(505,171)	(276,041)
	68,157	63,626
Chemicals	37,092	47,242
Amortization	25,528	25,528
Heat, telephone, light and power	228,023	213,399
Professional services	1,209,287	1,123,361
Salaries and benefits	138,281	271,135
Repairs and maintenance	31,330	84,070
Administrative expenses (Note 9)	1,823,808	1,950,193
Total expenditures	3,561,506	3,778,554
Excess (deficiency) of operating revenues over expenditures	229,432	(232,783)
Funds retained, beginning of year	(1,742,550)	(1,500,427)
Disposition of funds (Note 7)	(55,072)	(9,340)
Funds retained, end of year (Note 7)	$ (1,568,190)	$ (1,742,550)

The Manitoba Water Services Board **Exhibit C**

Statement of Cash Flows

for the year ended March 31, 2007

	2007	2006
Cash provided by (used for):		
Operating activities		
Excess (deficiency) of operating revenues over expenditures	$ 229,432	$ (232,783)
Expenditure not involving cash - amortization	25,528	25,528
	254,960	(207,255)
Change in accounts receivable	2,720,331	(3,326,685)
Change in prepaid supplies	766	(21,910)
Change in prepaid professional fees	-	288,000
Change in accounts payable and accrued charges	(411,366)	1,198,041
Change in accrued interest	(3,776)	(19,527)
Cash provided by (used for) operating activities	2,560,915	(2,089,336)
Financing activities		
Advances received	14,900,000	16,400,000
Advances repaid	(11,652,570)	(12,239,144)
Debentures receivable principal recoveries	53,216	123,612
Infrastructure Expenditure	(765,292)	(7,484)
Change in bank indebtedness	(930,966)	231,866
Cash provided by (used for) financing activities	1,604,388	4,508,850
Investing activities		
New construction costs	(36,768,011)	(34,463,182)
Funding recovered from:		
Province of Manitoba	11,152,919	11,121,942
Municipalities	21,328,128	20,922,703
Decrease (increase) in construction in progress	(4,286,964)	(2,418,537)
Capital asset disposals	3,548	879
Plant surplus transferred to municipalities on disposition	(55,072)	(9,340)
Change in restricted cash	765,292	(66,192)
Cash provided by (used for) investing activities	(3,573,196)	(2,493,190)
Increase (Decrease) in cash	592,107	(73,676)
Cash, beginning of the year	-	73,676
Cash, end of the year	$ 592,107	$ -

Interest paid during the year ended March 31, 2007 amounted to $574,521 (2006 - $340,755)

1. NATURE OF ORGANIZATION

The Manitoba Water Services Board was established in July 1972 under *The Manitoba Water Services Board Act* to assist in the provision of water and sewage facilities to the residents of rural Manitoba. The Board owns and operates water supply plants in the Province, installs or upgrades water and sewage facilities in Manitoba communities, constructs area water pipelines for agricultural and drought proofing purposes and develops farm water sources.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of accounting

The financial statements have been prepared using Canadian generally accepted accounting principles. Operating results of all water supply plants operated by the Board are reflected on an aggregate basis in the Statement of Operating Revenues and Expenditures. Separate equity accounts are maintained for each plant operated by the Board (Note 7).

(b) Capital assets

Capital assets represent water supply plants owned by the Board. They are recorded at cost and amortization is calculated on a straight-line basis over the following terms:

Plants constructed prior to January 1, 1972	equipment	18 years
	buildings	35 years
Plants constructed after January 1, 1972	equipment	20 years
	buildings	20 years

Capital assets which are constructed by the Board are recorded as Construction in Progress until the Capital asset is put into use and ownership is transferred to the appropriate municipality. Financing costs are included in the Construction in Progress amounts.

(c) Revenue recognition

Revenue from sale of water is recognized in the period when consumed by the town or municipality

(d) Administrative expenses paid by the Province of Manitoba

Administrative expenses are paid by the Province of Manitoba on behalf of the Board and recorded at the exchange amount agreed to by the related parties in the financial statements.

(e) Pension costs and obligations

The Board's employees are eligible for membership in the provincially-operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is recorded in the financial statements related to the effects of participation in the pension plan by the Board and its employees.

3. INFRASTRUCTURE RENEWAL

The Board, effective March 31, 2007 has transferred the infrastructure renewal account to the Planning and Coordination Branch of the Department of Water Stewardship to be administered on behalf of the Whitemud Conservation District. This account is to be used for the Province's 75% contribution of the cost of replacing aging waterway bridges and crossings. The balance transferred March 31, 2007, was $765,994.

The Manitoba Water Services Board

Notes to Financial Statements

for the year ended March 31, 2007

4. CONSTRUCTION IN PROGRESS

	2007	2006
Balance, beginning of year	$ 4,528,465	$ 2,109,928
New construction costs	36,768,011	34,463,182
	41,296,476	36,573,110
Funding recovered from:		
Municipalities	21,328,128	20,922,703
Province of Manitoba	11,152,919	11,121,942
	32,481,047	32,044,645
Balance, end of year	8,815,429	4,528,465
Less: current portion	4,357,354	1,367,486
Long-term Construction in Progress	$ 4,458,075	$ 3,160,979

5. PROPERTY PLANT AND EQUIPMENT

	2007	2006
Land and easements	$ 13,304	$ 16,852
Buildings	645,771	732,350
Less: accumulated amortization	645,771	706,822
	-	25,528
Equipment	189,970	206,666
Less: accumulated amortization	189,970	206,666
Total property plant and equipment	$ 13,304	$ 42,380

The Manitoba Water Services Board

Notes to Financial Statements

for the year ended March 31, 2007

6. LONG-TERM DEBT

Year of Maturity	Annual Payment Date	Interest Rate(%)	2007	2006
Advances from the Province of Manitoba:				
2006	October 31	9.800	$ -	$ 26,004
2007	March 31	9.625	-	122,993
2007	October 31	9.400	3,909	7,482
Total advances payable			3,909	156,479
Less: current portion			3,909	152,570
Advances payable beyond one year			$ -	$ 3,909

The Board has the right at any time to repay in whole or in part the advances from the Province of Manitoba

7. FUNDS RETAINED

Funds retained consist of accumulated excess revenues over expenditures pertaining to the water supply plant owned and operated by the Board for the benefit of municipalities and pertaining to plants operated by the Boar under agreements with municipalities. Separate equity accounts are maintained for each plant operated by th Board. Municipalities are responsible for any deficit balances and are given credit for surplus balances wheneve plant operating responsibilities are transferred to the municipalities.

Funds retained also include the gain on the sale of the Red River Regional Water Supply System of $31,759.

	No.	2007 Amount	No.	2006 Amount
Plants owned by the Board				
Plants with a deficit	6	$ (1,676,153)	6	$ (1,845,058)
Plants with a surplus	2	76,204	2	32,170
Total funds retained, water supply plants	8	$ (1,599,949)	8	$ (1,812,888)

7. FUNDS RETAINED (continued)

	2007 Amount	2006 Amount
Other Funds Retained	$ 31,759	$ 70,338
Total funds retained	$ (1,568,190)	$ (1,742,550)

During 2006/2007 disposition of funds includes the transfer of one water treatment plant to the Village of Somerset capital works approved by the Board for the Inglis Water Treatment Plant, Strathclair Water Treatment Plant anc Lynn Lake Water Treatment Plant, and a contingency fund for the Cartier Regional Water Co-operative.

8. INTEREST ADJUSTMENT FUND ACCOUNT

The Board allocates interest costs to construction projects and to the operations of water supply plants at a rate comparable to the Board's cost of borrowing. The interest allocated and the actual net interest cost incurred by the Board are recorded in the Interest Adjustment Fund Account. Board policy is to maintain a balance of $100,000 in the Interest Adjustment Fund Account to absorb any shortfall in the allocation of actual net interest costs for the year. Interest costs were fully allocated for both the current and the preceding year.

9. ADMINISTRATIVE EXPENSES PAID BY THE PROVINCE OF MANITOBA

Administrative expenses paid by the Province of Manitoba and included in expenditures are as follows:

	2007	2006
Professional services	$ 15,710	$ 14,898
Salaries and benefits	1,551,392	1,609,412
Telephone and utilities	14,088	19,790
Travel	2,291	9,691
Rental for office premises	175,512	171,253
Other administrative	64,815	125,149
	$ 1,823,808	$ 1,950,193

The Manitoba Water Services Board

Notes to Financial Statements

for the year ended March 31, 2007

10. COMMITMENTS

	2007	2006
The Board has commitments as follows:		
Signed agreements and offers for construction of sewer and water systems for municipalities and cooperatives.	$ 33,122,800	$ 42,839,034
These commitments are expected to be funded as follows:		
Subsidization of construction costs - Province of Manitoba	$ 15,592,900	$ 20,002,634
Recovery of construction costs - Municipalities and Cooperatives	17,529,900	22,836,400
	$ 33,122,800	$ 42,839,034

The Board recovers construction costs on a current basis from municipalities and cooperatives through funds provided by the Province of Manitoba under *The Loan Act*. As at March 31, 2007, the Province had unused authority of $20,336,900 under *The Loan Act, 2006* to provide this financing to the Board for the construction of municipal sewer and water facilities on behalf of municipalities and cooperatives.

The Board pays interest to the Province on these unfixed advances. Interest payable is set at Prime Less 0.75% During 2006/2007 the rate of interest charged was between 4.80% - 5.25% on a quarterly basis.

11. CONTINGENCIES

The Board is involved in legal proceedings arising in the normal course of business, the outcome of which cannot be predicted at this time. In the opinion of management, the disposition of these cases will not materially affect the financial position of the Board. Any settlement will be recognized in the year the settlement occurs.

12. RELATED PARTY TRANSACTIONS

The Board is related in terms of common ownership to all Province of Manitoba created Departments, Agencies and Crown Corporations. The Board enters into transactions in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

13. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

14. FINANCIAL INSTRUMENTS

Fair Value

The carrying amounts of cash, accounts receivable, accrued interest, the current portion of debentures receivable, accounts payable and accrued charges, advances from the Province of Manitoba payable on demand, and the current portion of long term debt reported on the balance sheet approximate their fair market value due to their short-term nature.

Credit Risk

The Board, in the normal course of business, is exposed to credit risk from the rural municipalities it serves. The Board's financial assets that are exposed to credit risk consist primarily of accounts receivable and debentures receivable.

Accounts receivable are primarily short-term receivables from rural municipalities. Debentures receivable are long-term receivables from Rural Municipalities which have fixed interest rates and repayment terms. Credit evaluations are done for each Rural Municipality.

Interest Rates

The Board is not exposed to significant interest rate risk due to the short term nature of the current asset and current liabilities, and the fact that its debentures receivable and long-term debt are at fixed interest rates.

15. ECONOMIC DEPENDENCY

The Board is economically dependent on the Province of Manitoba.

16. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

To the Board of Directors of Metis Child and Family Services Authority:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors are neither management nor employees of the Authority. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Authority's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board of Directors and management to discuss their audit findings.

June 5, 2007

L. Champagne

Lisa Champagne
Chief Executive Officer

Auditors' Report

To the Board of Directors of Metis Child and Family Services Authority:

We have audited the statement of financial position of Metis Child and Family Services Authority as at March 31, 2007 and the statements of combined programs and changes in net assets and cash flows and related schedules for the twelve month period then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the twelve month period then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

June 5, 2007

Chartered Accountants

Metis Child and Family Services Authority
Statement of Financial Position
As at March 31, 2007

	2007	2006
ASSETS		
Current Assets		
Cash	$ 235,012	$ 195,296
Accounts Receivable (Note 6)	2,871,249	1,909,139
Prepaid Expense	21,664	22,449
	3,127,925	2,126,884
Capital Assets (Note 2c, 7)	28,669	11,111
Due from Metis Child, Family and Community Services Agency Inc. (Note 8)	1,088,200	1,088,200
Total Assets	$ 4,244,794	$ 3,226,195
LIABILITIES		
Current Liabilities		
Accounts Payable and Accruals	$ 106,370	$ 34,254
Due to Manitoba Metis Federation Inc. (Note 9)	-	10,333
Due to Metis Child, Family and Community Services Agency Inc.	2,833,387	1,881,697
Deferred Contributions (Note 10)	95,791	161,390
	3,035,548	2,087,673
Due to Province of Manitoba (Note 8)	1,088,200	1,088,200
Deferred Capital Contributions (Note 2c)	28,669	11,111
	4,152,417	3,186,984
NET ASSETS		
Unrestricted	92,377	39,211
	$ 4,244,794	$ 3,226,195

Approved on Behalf of the Board

Director Rita Cullen

Director

Metis Child and Family Services Authority
Statement of Combined Programs and Changes in Net Assets
For the Twelve Month Period Ending March 31, 2007

	2007 Actuals	2006 Actuals	Actuals Variance
REVENUE			
Grant - Province of Manitoba	$ 16,403,577	$ 11,032,758	$ 5,370,819
Interest Income	743	429	314
Other Income	151	4,820	(4,669)
Deferred Revenue - Core	7,418	-	7,418
Deferred Revenue - Education and Training	14,008	-	14,008
Deferred Revenue - Hotel Reduction and Foster Care Initiative	35,485	-	35,485
Deferred Revenue - Transition	105,919	36,512	69,407
Amortization of Deferred Capital Contributions	4,368	3,103	1,265
Total Revenue	16,571,670	11,077,622	5,494,048
EXPENSES			
Agency Education and Training	4,948	-	4,948
Agency Maintenance	10,906,606	7,138,006	3,768,600
Agency Operations	4,858,690	3,332,281	1,526,409
Agency Transition	105,919	40,483	65,436
Amortization of Capital Assets	4,368	3,103	1,265
Annual General Meeting	4,318	6,049	(1,731)
Authority Transition	7,418	-	7,418
Bad Debts	-	-	-
Bank Charges	556	433	123
Board Travel	28,594	23,305	5,289
Communications	5,924	10,542	(4,618)
Insurance	9,547	8,306	1,241
Information Technology	6,554	5,923	631
Office	50,083	40,979	9,104
Other	733	117	615
Professional Development	1,270	899	371
Professional Fees	15,530	27,006	(11,476)
Salaries and Benefits	499,858	379,487	120,371
Staff Travel	7,588	21,493	(13,905)
Total Expenses	16,518,504	11,038,411	5,480,093
Excess of revenue over expenses	$ 53,166	$ 39,211	$ 13,955
Net assets, beginning of the year	39,211	-	39,211
Net assets, end of year	$ 92,377	39,211	$ 53,166

Metis Child and Family Services Authority
Statement of Cash Flows
For the Year Ended March 31, 2007

	2007	2006
CASH PROVIDED (USED BY)		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	$ 53,166	$ 39,211
Add (deduct) items not requiring cash outlay		
Amortization of Capital Assets	4,368	3,103
Amortization of Deferred Contributions	(4,368)	(3,103)
	53,166	39,211
FROM (TO) OPERATIONS		
Accounts Receivable	(962,110)	(1,684,714)
Due to Metis Child, Family and Community Services Agency Inc.	951,690	1,757,783
Prepaid Expenditures	785	(2,101)
Accounts Payable	72,116	(1,466)
Amount due to Manitoba Metis Federation	(10,333)	(35,061)
Deferred Contribution	(65,599)	(36,512)
	(13,450)	(2,071)
INVESTING ACTIVITIES		
Purchase of Capital Assets	(21,925)	(4,907)
Deferred Contributions Capital	21,925	4,907
	-	-
FINANCING ACTIVITIES		
Receipt of loan from Province of Manitoba	-	995,700
Advance to Metis Child, Family and Community Services Agency Inc.	-	(995,700)
	-	-
NET INCREASE (DECREASE) IN CASH	39,716	37,140
CASH, Beginning of Year	$ 195,296	$ 158,156
CASH, End of Year	$ 235,012	$ 195,296

Metis Child and Family Services Authority
Schedule of Program Operations
For the Twelve Month Period Ending March 31, 2007

Program: Core Operations

	2007 Actuals	2006 Actuals	Actuals Variance	2007 Budget	Budget Variance
REVENUE					
Grant - Province of Manitoba	$ 638,281	$ 558,500	$ 79,781	$ 625,000	$ 13,281
Interest Income	743	429	314	400	343
Other Income	151	4,820	(4,669)	-	151
Deferred Revenue	7,418	-	7,418	-	7,418
Amortization of Deferred Capital Contributions	4,368	3,103	1,265	-	4,368
Total Revenue	650,961	566,852	84,109	625,400	25,561
EXPENSES					
Amortization of Capital Assets	4,368	3,103	1,265	-	4,368
Annual General Meeting	4,318	6,049	(1,731)	7,000	(2,682)
Authority Transition	7,418	-	7,418	-	7,418
Bad Debts	-	-	-	-	-
Bank Charges	556	433	123	500	56
Board Travel	28,594	23,305	5,289	30,000	(1,406)
Communications	5,781	10,542	(4,761)	6,300	(519)
Insurance	9,547	8,306	1,241	10,000	(453)
Information Technology	6,314	5,923	391	8,000	(1,686)
Office	45,259	40,979	4,280	50,200	(4,941)
Other	713	117	595	500	213
Professional Development	1,186	899	287	4,000	(2,814)
Professional Fees	15,530	27,006	(11,476)	18,000	(2,470)
Salaries and Benefits	460,754	379,487	81,267	473,400	(12,646)
Staff Travel	7,458	21,493	(14,034)	17,500	(10,042)
Total Expenses	597,795	527,641	70,154	625,400	(27,605)
EXCESS OF REVENUE OVER EXPENSES	$ 53,166	$ 39,211	$ 13,955	$ -	$ 53,166

Metis Child and Family Services Authority
Schedule of Program Operations
For the Twelve Month Period Ending March 31, 2007

Program: Agency Transition

	2007	2006
REVENUE		
Province of Manitoba - Grant	$ -	$ -
Province of Manitoba - Common Table		3,971
Deferred from Prior Year	153,673	190,185
Deferred to Next Year	(47,754)	(153,673)
	105,919	40,483
EXPENSES		
Transition and Common Table Costs	105,919	40,483
	105,919	40,483
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -

Metis Child and Family Services Authority
Schedule of Program Operations
For the Twelve Month Period Ending March 31, 2007

Program: Hotel Reduction and Foster Care Initiative

	2007	2006
REVENUE		
Province of Manitoba - Grant	$ 48,700	$ -
Deferred from Prior Year	-	
Deferred to Next Year	(13,215)	
	35,485	-
EXPENSES		
Information Technology	240	
Office	4,391	
Salaries and Benefits	30,725	
Staff Travel	130	
	35,485	-
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -

Metis Child and Family Services Authority
Schedule of Program Operations
For the Twelve Month Period Ending March 31, 2007

Program: Education and Training Initiative

	2007	2006
REVENUE		
Province of Manitoba - Grant	$ 54,000	$ -
Deferred from Prior Year	-	
Deferred to Next Year	(39,992)	
	14,008	-
EXPENSES		
Agency Education and Training	4,948	
Communications	143	
Office	434	
Other	20	
Professional Development	84	
Salaries and Benefits	8,379	
	14,008	-
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -

Metis Child and Family Services Authority
Shedule of Program Operations
For the Twelve Month Period Ending March 31, 2007

Program: Child Maintenance

	2007	2006
REVENUE		
Grant - Province of Manitoba	$ 10,906,606	$ 7,138,006
EXPENSES		
Eastman Region	328,237	79,140
Interlake Region	899,580	448,099
Norman Region	401,902	291,783
Parklands Region	1,918,787	956,097
Thompson Region	266,558	214,079
Western Region	637,316	509,216
Winnipeg Region	6,454,226	4,639,592
	10,906,606	7,138,006
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -

Metis Child and Family Services Authority
Schedule of Program Operations
For the Twelve Month Period Ending March 31, 2007

Program: Operations

	2007	2006
REVENUE		
Grant - Province of Manitoba	$ 4,858,690	$ 3,332,281
EXPENSES		
Transfer to Metis Child, Family and Community Services Agency Inc. Re: Operating Expenditures	4,858,690	3,332,281
EXCESS OF REVENUE OVER EXPENSES	$ -	$ -

METIS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended MARCH 31, 2007

1. FORM OF ORGANIZATION

The Corporation was established as the Metis Child and Family Services Authority under section (4)c of the Child and Family Services Authority Act which statute was proclaimed into law on November 24, 2003.

The Metis Child and Family Services Authority (Authority) is a Corporation without share capital. The Board of Directors of the Authority is appointed by the Board of Directors of the Manitoba Metis Federation Inc. (Federation). The Metis Authority is responsible for administration and provision of child and family services to Metis and Inuit people. The company is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant account policies.

A. BASIS OF PREPARATION

The Manitoba Metis Federation Inc. appoints the Board of Directors of the Metis Child and Family Services Authority. The Metis Child and Family Services Authority mandates the Metis Child, Family and Community Services Agency Inc. (Agency). Separate audited financial statements are prepared for the Authority and the Agency.

The Authority has not been consolidated into the Manitoba Metis Federation Inc.'s financial statements.

B. USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenditures during the period. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization of capital assets is based on the estimated useful lives of the capital assets.

C. CAPITAL ASSETS

Capital assets which are funded by the Government are recorded in the statement of financial position at cost and the related grant funding is recorded as a deferred capital contribution.

The capital assets and deferred contribution funding are amortized on the same basis in accordance with the estimated useful life of the assets.

Capital assets which are not funded by Government are capitalized at cost and are amortized over the estimated useful life of assets.

Capital assets are amortized on a straight-line basis as follows:

Office furniture and equipment	5 years
Computer equipment	5 years

D. RECOGNITION OF REVENUES

The organization follows the deferral method of accounting for contributions, which include government grants and donations.

Unrestricted contributions and program grants are recognized as revenues when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

E. LONG-LIVED ASSETS

Long-lived assets consist of property and equipment. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate the carrying value of an asset, or group of assets, may not be recoverable. Impairment is measured as the amount by which the assets' carrying value exceeds its fair value. Any impairment is included in earnings for the year.

F. RECENT ACCOUNTING PRONOUNCEMENTS

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for the Authority's annual financial statements beginning on October 1, 2007. There have also been numerous consequential amendments made to other Sections. Transitional provisions are complex and vary based on the type of financial instruments under consideration. Therefore, the Authority has not yet determined the effect of these new standards on its financial statements on the type of financial instruments under consideration.

METIS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended MARCH 31, 2007

3. ECONOMIC DEPENDANCE

The Authority received the majority of its revenues from the Province of Manitoba and its economically dependent on continued government revenues to fund future operations and programs.

4. RELATED PARTY TRANSACTIONS

The Authority rents office space from the Manitoba Metis Federation Inc. The annual rental costs were $27,858. There is not a lease for the rental of the premises. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

5. COMMITMENTS

The Metis Child and Family Services Authority (on behalf of the Metis Child, Family and Community Services Agency Inc.) has leased office space from the Metis Land Holding Corporation. The terms of this lease is for three (3) years with one five (5) year renewal term.

The Following is a schedule of minimum lease payments:

	$
Year ending March 31, 2008	89,720.00

METIS CHILD AND FAMILY SERVICES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the year ended MARCH 31, 2007

6. ACCOUNTS RECEIVABLE

	2007 $	2006 $
Province of Manitoba	2,862,412	1,838,435
Metis Child, Family and Community Services Agency Inc.	9,610	57,616
Goods and Services Tax	2,971	16,945
Other Receivables	176	63
	2,875,169	1,913,059
Less: Allowance for Doubtful Accounts	(3,920)	(3,920)
	2,871,249	1,909,139

7. CAPITAL ASSETS

	2007			2006
	Cost $	Accumulated Amortization $	Net Book Value $	Net Book Value $
Office Furniture and Equipment	3,357	1,846	1,511	1,285
Computer Equipment	38,578	11,421	27,157	9,827
	41,935	13,267	28,669	11,111

8. AMOUNT DUE TO PROVINCE OF MANITOBA/DUE FROM METIS CHILD, FAMILY AND COMMUNITY SERVICES AGENCY INC.

The Province of Manitoba advanced the Authority a working capital loan of $1,088,200, which in turn was advanced by the Authority to the Agency. The advance is repayable by the Authority if the Authority's operations cease. The amount due from the Agency has no fixed terms of repayment.

9. DUE TO MANITOBA METIS FEDERATION INC.

Amounts owing are unsecured, non-interest bearing and due upon demand. Manitoba Metis Federation Inc. is related by virtue of its appointment of the Board of Directors of the Authority.

10. DEFERRED CONTRIBUTIONS

Province of Manitoba	2007 $	2006 $
Core	523	7,717
Education and Training Initiative	39,992	-
Foster Care and Hotel Reduction Initiative	7,697	-
Transition	47,579	153,673
	95,791	161,390

11. FINANCIAL INSTRUMENTS

The Authority as part of its operations carries a number of financial instruments. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed. The carrying amount of cash, accounts receivable, loans receivable, accounts payable and accruals approximates their fair value due to the short-term maturities of these items

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Board of Directors

We have audited the statement of financial position of The Public Schools Finance Board as at June 30, 2006 and the statement of revenue and expenditure and education support fund and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
November 10, 2006

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Financial Position

As at June 30, 2006

	2006	2005
	(in thousands of dollars)	
Assets		
Cash	$ 1,539	$ 1,425
Funds on deposit with the Province of Manitoba	204	252
Accounts receivable:		
Province of Manitoba	12,170	-
Municipal corporations - Education Support Levy	73,257	87,125
Other	632	624
	$ 87,802	**$ 89,426**
Liabilities and Education Support Fund		
Support payable to school divisions	$ 3,548	$ 4,479
Accrued interest	972	830
Funds advanced from the Province of Manitoba	-	1,448
Notes payable on demand, at bank prime, Province of Manitoba	76,219	79,021
Other payables	198	183
	80,937	**85,961**
Education Support Fund	**6,865**	**3,465**
	$ 87,802	**$ 89,426**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Revenue and Expenses and Education Support Fund for the year ended June 30, 2006

	2006	2005
	(in thousands of dollars)	
Revenue:		
Province of Manitoba - Funding of Schools Program	$ 726,807	$ 664,151
Municipal corporations - Education Support Levy	131,486	156,948
Sale of school properties and miscellaneous revenue	-	209
	858,293	**821,308**
Expenses:		
Operational support program (Note 3)	799,907	779,647
Capital support program (Note 4)	52,166	42,380
Administrative and other expenses (Note 5)	2,820	3,035
	854,893	**825,062**
Excess (deficiency) of revenue over expenses	**3,400**	**(3,754)**
Education Support Fund		
Balance, beginning of year	3,465	7,219
Balance, end of year	$ **6,865**	$ **3,465**

THE PUBLIC SCHOOLS FINANCE BOARD

Statement of Cash Flow
for the year ended June 30, 2006

	2006	2005
	(in thousands of dollars)	
Cash Flows from Operating Activities:		
Excess (deficiency) of revenue over expenses	$ 3,400	$ (3,754)
Changes in working capital:		
Accounts receivable:		
Province of Manitoba	(12,170)	15,427
Municipal Corporations - Education Support Levy	13,868	17,611
Other	(8)	(396)
Prepaid expense	-	179
Support payable to school divisions	(931)	428
Accrued interest	142	(391)
Other payables	15	60
	4,316	29,164
Cash Flows from Financing Activities:		
Funds advanced from the Province of Manitoba	(1,448)	1,448
Notes payable on demand, at bank prime, Province of Manitoba	(2,802)	(34,669)
	(4,250)	(33,221)
Net increase(decrease) in cash	66	(4,057)
Cash - beginning of year	1,677	5,734
Cash - end of year	**$ 1,743**	**$ 1,677**
Consisting of:		
Cash	$ 1,539	$ 1,425
Funds on deposit with the Province of Manitoba	204	252
	$ 1,743	**$ 1,677**

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2006

1. Nature of the Board's operations

The Public Schools Finance Board was established by the Public Schools Finance Board Act in April, 1967.

The Board is responsible for receiving all monies paid to the Education Support Fund for the financing of public schooling in Manitoba. It administers the capital support program including the determination and the disbursement of all capital grants provided to Manitoba school divisions under the Program. The Board also issues payments to Manitoba school divisions under the operational support program in amounts as determined by the Minister of Education, Citizenship and Youth.

The Public Schools Act and its Regulations govern the Education Support Fund.

2. Significant Accounting Policies

(a) The financial statemements of the Board have been prepared in accordance with Canadian generally accepted accounting principles.

(b) The Education Support Levy is assessed against municipal corporations on a calendar year basis. The Board applied 40% of the 2005 levy to the July to December period and 60% of the 2006 levy to the January to June period.

(c) The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(d) The Board's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable, accrued liabilities and notes payable. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

3. Operational support program

	2006	2005
	(in thousands of dollars)	
Instructional Support	$ 316,959	$ 316,160
Sparsity Support	11,754	11,804
Curricular Materials	9,466	8,690
Information Technology	6,885	6,952
Library Services	15,834	15,982
Level I - Special Needs	46,126	46,055
Counselling and Guidance	11,525	10,544
Professional Development	6,437	6,107
Occupancy	81,410	78,813
Transportation	39,574	37,194
Board and Room	816	811
Special Needs	78,255	70,468
Senior Years Technology Education	8,120	8,667
English as a Second Language	4,400	4,021
Aboriginal Academic Achievement	6,957	6,235
Heritage Language	229	229
French Language Programs / Instruction	5,803	5,780
Students at Risk	12,325	12,333
Small Schools	1,845	1,846
Enrolment Change Support	4,734	3,315
Remoteness Allowance	5,024	5,069
Early Behaviour Intervention	1,887	1,912
Early Childhood Development Initiative	1,354	667
Early Identification	-	249
Early Literacy Intervention	6,118	6,063
Early Numeracy	858	891
Programme d'accueil	-	-
Equalization Support	110,167	108,135
Adjustment of previous years' support to school divisions from estimated to actual	576	287
Amalgamated School Division Guarantee	1,383	1,862
Miscellaneous (Pipeline)	(88)	(88)
Vocational Equipment Replacement	2,200	2,200
Vocational Equipment Upgrade	974	394
	$ 799,907	$ 779,647

THE PUBLIC SCHOOLS FINANCE BOARD

Notes to the Financial Statements

As at June 30, 2006

4. Capital support program

	2006	2005
	(in thousands of dollars)	
Capital grants:		
Major school construction	$ 46,409	37,436
Minor capital projects	336	193
School buildings "D" support	5,007	4,400
Environmental assistance program	386	333
Air and water quality program	28	18
Total capital support program	**$ 52,166**	**$ 42,380**

5. Administrative and other expenses

	2006	2005
	(in thousands of dollars)	
Board administration:		
Staff salaries	$ 805	$ 762
Service agreement	169	169
Professional services	72	139
Board members' indemnities	67	81
Meetings and travel	40	36
Desktop management	49	43
Rent	40	39
Printing, stationery, postage and supplies	45	35
Telephone and fax	10	11
Computers, software and minor equipment	26	21
Total board administration Expenses	**1,323**	**1,336**
Interest charges on notes payable to the Province of Manitoba	**1,497**	**1,699**
	$ 2,820	**$ 3,035**

6. Commitments

As at June 30, 2006, the Board had commitments of $444,915 (2005 - $684,751). The amount of $444,915 as at June 30, 2006 (2005 - $684,751) is committed from the Education Support Fund balance.

7. Related party transactions

The Board is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown corporations. The Board enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

8. Pension costs and obligations

The Board's employees are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Board employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, the Board reflects no provision in the financial statements relating to its participation in the pension plan.

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AUDITORS' REPORT

To the Board of Governors of Red River College

We have audited the statement of financial position of Red River College as at June 30, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the College as at June 30, 2006 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not extend to the budget which has been provided as additional information and therefore we do not express any opinion concerning the budget.

Signed "**KPMG LLP**"

Chartered Accountants

Winnipeg, Canada

September 1, 2006

KPMG LLP, a Canadian limited liability partnership is the Canadian member firm of KPMG International, a Swiss cooperative

RED RIVER COLLEGE

Statement of Financial Position
(In thousands of dollars)

June 30, 2006, with comparative figures for 2005

Assets

	2006	2005
Current assets:		
Cash and short-term investments - trust and endowment (note 3)	$ 3,979	$ 6,795
Cash and short-term investments (note 3)	2,265	1,303
Accounts receivable	3,214	2,694
Inventories	958	900
Prepaid expenses (note 4)	3,089	2,083
	13,505	13,775
Long term investments - trust and endowment (note 5)	4,273	248
Due from Province of Manitoba (note 6)	9,253	9,253
Capital assets (note 7)	72,189	71,298
Intangible asset	12	14
	$ 99,232	$ 94,588

Liabilities and Net Assets

	2006	2005
Current liabilities:		
Bank indebtedness (note 8)	$ 1,340	$ 765
Accounts payable and accrued liabilities (note 9)	19,754	19,287
Current portion of obligations under capital leases (note 10)	1,458	1,707
Deferred revenue	4,559	4,116
	27,111	25,875
Obligations under capital leases (note 10)	1,350	1,398
Deferred contributions (note 11)	3,087	3,125
Deferred capital campaign contributions (note 12)	3,431	3,523
Deferred contributions related to capital assets (note 13)	53,181	53,899
Net assets:		
Invested in capital and intangible assets (note 14)	12,785	10,785
Restricted for endowments (note 15)	7,078	5,776
Internally restricted (note 15)	1,145	340
Unrestricted net assets	(9,936)	(10,133)
	11,072	6,768
Commitments (note 18)		
	$ 99,232	$ 94,588

See accompanying notes to financial statements.

Approved by the Board of Governors:

Chair

Vice-Chair

RED RIVER COLLEGE

Statement of Operations
(In thousands of dollars)

Year ended June 30, 2006, with comparative figures for 2005

	Budget (Unaudited)	2006	2005
Revenue:			
Academic training fees	$ 21,332	$ 24,874	$ 21,216
Grants and reimbursements	62,772	62,553	60,834
International education	889	776	795
Continuing education	7,817	7,327	7,161
Sundry and other revenue	12,674	9,679	8,751
Gain on disposal of capital assets/investments		2	9
Amortization of deferred contributions	4,752	5,301	5,344
	110,236	110,512	104,110
Expenses:			
Instruction	61,713	60,747	56,527
Library	1,745	1,705	1,643
Administration and general	23,052	18,981	17,959
Physical plant	14,304	13,423	13,861
Student services	3,183	3,662	3,435
Amortization of capital assets	5,964	8,227	9,089
	109,961	106,745	102,514
Excess of revenue over expenses before other items	275	3,767	1,596
Other item:			
Net increase in accrued vacation and severance liability	(275)	(765)	(715)
Excess of revenue over expenses	$ –	$ 3,002	$ 881

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Changes in Net Assets
(In thousands of dollars)

Year ended June 30, 2006, with comparative figures for 2005

	Invested in capital and intangible assets	Restricted for endowments	Internally restricted	Unrestricted	2006 Total	2005 Total
Balance, beginning of year	$ 10,785	$ 5,776	$ 340	$ (10,133)	$ 6,768	$ 5,183
Endowment gifts	–	1,227	–	–	1,227	667
Amounts restricted for endowments	–	75	–	–	75	37
Transfer to internally restricted	–	–	805	(805)	–	–
Excess (deficiency) of revenue over expenses	(3,483)	–	–	6,485	3,002	881
Investment in capital assets	5,483	–	–	(5,483)	–	–
Balance, end of year	$ 12,785	$ 7,078	$ 1,145	$ (9,936)	$ 11,072	$ 6,768

See accompanying notes to financial statements.

RED RIVER COLLEGE

Statement of Cash Flows
(In thousands of dollars)

Year ended June 30, 2006, with comparative figures for 2005

	2006	2005
Operating activities:		
Excess of revenue over expenses	$ 3,002	$ 881
Adjustments for:		
Amortization of intangible assets	2	1
Amortization of capital assets	8,227	9,089
Amortization of deferred capital contributions	(4,743)	(4,754)
Other deferred contributions recognized as revenue	(2,282)	(1,980)
Other deferred contributions received	2,319	2,453
Gain on disposal of capital assets	(3)	(9)
Change in non-cash working capital balances (note 16)	(674)	2,848
	5,848	8,529
Investing activities:		
Purchase of capital assets	(7,037)	(4,955)
Capital assets purchased with trust funds	-	(6)
Long-term investment for trust and endowment	(4,025)	(248)
Proceeds on disposal of capital assets	3	99
	(11,059)	(5,110)
Financing activities:		
Endowment gifts received	1,227	667
Contributions received for capital purposes	3,507	1,700
Capital campaign contributions	195	561
Repayment of obligations under capital leases	(2,147)	(3,961)
	2,782	(1,033)
Increase (decrease) in cash and short-term investments	(2,429)	2,386
Cash and short-term investments, beginning of year	7,333	4,947
Cash and short-term investments, end of year	$ 4,904	$ 7,333
Comprised of:		
Cash and short-term investments - trust and endowment	$ 3,979	$ 6,795
Cash and short-term investments	2,265	1,303
Bank indebtedness	(1,340)	(765)
	$ 4,904	$ 7,333

The following have been excluded from the financing and investing activities on the statement of cash flows:

The portion of the purchase price of assets under capital lease satisfied by the assumption of debt in the amount of $1,850 (2005 - $2,179).

See accompanying notes to financial statements.

1. General:

Red River College operates under the authority of *The Colleges Act of Manitoba*. This legislation, which established the College as a board-governed institution on April 1, 1993, allowed for the transfer of assets, liabilities, investment in capital assets and contributed surplus from the Province of Manitoba.

2. Significant accounting policies:

(a) Inventories:

Inventories are valued at the lower of cost and net realizable value.

(b) Capital assets:

Purchased capital assets are recorded at cost. Donated capital assets are recorded at their fair value at the time of the donation. Library holdings are accounted for using the base stock method. Under this method, the value of the base stock is capitalized, but subsequent purchases are not capitalized because it has been determined that annual additions are approximately equal to reductions. Capital assets are amortized on a straight-line basis using an annual rate of:

Asset	Rate
Buildings	2.5%
Major renovations	5%
Equipment and furniture	10 - 20%
Computer equipment and software	20 - 33%
Vehicles	20%
Aircraft	5%
Leasehold improvements	Over the term of the lease

(c) Donations:

Donations are recorded when received. Donations of materials and equipment are recorded at fair value.

2. Significant accounting policies (continued):

(d) Revenue recognition:

The College follows the deferral method of accounting for contributions, which include donations and government grants. Unrestricted contributions are recognized as revenue when received. Contributions externally restricted for purposes other than endowment are deferred and recognized as revenue in the year in which the related expenses are recognized. Endowment contributions are recognized as direct increases in net assets in the period in which they are received.

The unearned portion of tuition fees and contractual training revenue received but not earned until next fiscal year is recorded as deferred revenue.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(e) Intangible asset:

The intangible asset is recorded at cost and is amortized on a straight-line basis using an annual rate of 10 percent.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Short-term investments:

Short-term investment activity is transacted with the Department of Finance, Province of Manitoba in short-term deposits. Interest rates on short-term investments range between 3.85 percent and 4.25 percent. Short-term investments mature between July 2006 and September 2006.

4. Prepaid expenses:

	2006	2005
Property taxes	$ 1,274	$ 1,446
Other	1,815	637
	$ 3,089	$ 2,083

5. Long-term investments:

	2006		2005	
	Fair value	Cost	Fair value	Cost
Cash and fixed term instruments	$ 3,274	$ 3,274	$ 248	$ 248
Equity investments	952	999	–	–
	$ 4,226	$ 4,273	$ 248	$ 248

Fair value as represent above was derived from the market value of investments.

6. Due from Province of Manitoba:

The balance due from the Province of Manitoba is non-interest bearing, unsecured and has no fixed terms of repayment. This balance arose when the severance and vacation pay liabilities were transferred from the Province of Manitoba to the College.

7. Capital assets:

			2006	2005
	Cost	Accumulated amortization	Net book value	Net book value
Equipment and furniture	$ 24,739	$ 14,745	$ 9,994	$ 10,716
Computer equipment and software	18,374	14,383	3,991	2,455
Major renovations	6,002	1,511	4,491	3,422
Buildings	47,882	2,717	45,165	45,420
Vehicles	148	81	67	73
Aircraft	1,716	270	1,446	1,308
Leasehold improvements	4,472	1,876	2,596	2,839
Construction in progress	33	–	33	245
Assets under capital leases	9,569	6,386	3,183	3,597
Library holdings	1,223	–	1,223	1,223
	$ 114,158	$ 41,969	$ 72,189	$ 71,298

7. Capital assets (continued):

The assets under capital leases are amortized on a straight-line basis over the expected useful life of the assets. The amount of amortization charged to expense is $2,263 (2005 - $3,663).

The increase in net book value of capital assets is due to the following:

	2006	2005
Balance, beginning of year	$ 71,298	$ 73,076
Purchase of capital assets:		
Funded by deferred capital contributions	3,507	1,700
Funded by deferred capital campaign contributions	195	561
Internally funded	5,483	6,557
Financed through capital lease proceeds	(301)	(1,781)
Donations of capital assets	231	265
Gain on disposal of capital assets	3	9
Amortization of capital assets	(8,227)	(9,089)
	$ 72,189	$ 71,298

8. Bank indebtedness:

Bank indebtedness of $1,340 (2005 - $765) represents cheques issued in excess of cash on deposit with Royal Bank of Canada.

In addition, the College has a $5,000 operating line of credit with the province of Manitoba, bearing interest at prime.

9. Accounts payable and accrued liabilities:

	2006	2005
Trade payables	$ 3,105	$ 3,450
Accrued salaries and benefits	2,166	2,068
Accrued retirement severance pay	7,057	6,704
Accrued vacation pay	7,426	7,065
	$ 19,754	$ 19,287

9. Accounts payable and accrued liabilities (continued):

Significant actuarial assumptions used in the severance obligations at June 30, 2006 and June 30, 2005 were:

Interest rate on obligations	7.00%
Employer current service cost as a percentage of salary	.62%

10. Obligations under capital leases:

The following is a schedule of future minimum lease payments under capital leases expiring between July 2006 and August 2009 together with the balances of the obligations under capital leases:

2007	$	1,569
2008		944
2009		355
2010		100
Total minimum lease payments		2,968
Less amount representing interest (ranging from 5% to 10%)		(160)
Balance of obligations		2,808
Current portion		1,458
	$	1,350

Interest expense on the lease obligations amounted to $184 (2005 - $271).

11. Deferred contributions:

Deferred contributions represent the portion of the provincial operating grant and other contributions that pertains to expenditures of the following year and donations for various scholarships, bursaries and other specific purposes to be paid out in future years.

	2006	2005
Deferred provincial operating grant:		
Balance, beginning of year	$ 1,724	$ 1,390
Amount recognized as revenue during the year	(1,724)	(1,390)
Amount received related to following year	1,657	1,724
Balance, end of year	1,657	1,724
Deferred other contributions:		
Balance, beginning of year	1,401	1,305
Amount recognized as revenue during the year	(558)	(590)
Amount restricted for endowment	(75)	(37)
Amount used to purchase capital	–	(6)
Amount received related to following year	662	729
Balance, end of year	1,430	1,401
	$ 3,087	$ 3,125

12. Deferred capital campaign contributions:

Deferred capital campaign contributions represent donations received for capital fundraising campaigns. The donations are being amortized on the same basis as the capital assets to which they relate. The changes in the deferred capital campaign contributions balance are as follows:

	2006	2005
Balance, beginning of year	$ 3,523	$ 3,214
Less amortization of deferred capital campaign contributions during the year	(287)	(252)
Add donations received during the year	195	561
Balance, end of year	$ 3,431	$ 3,523

13. Deferred capital contributions:

Deferred capital contributions represent the unamortized amount of grants, donations and other revenue received for the purchase of capital assets.

13. Deferred capital contributions (continued):

The amortization of capital contributions is recorded as revenue in the statement of operations. The changes in the deferred capital contributions are as follows:

	2006	2005
Balance, beginning of year	$ 53,899	$ 56,435
Less amortization of deferred contributions	(4,456)	(4,501)
Add:		
Contributions received for capital purposes	3,507	1,700
Donations-in-kind	231	265
Balance, end of year	$ 53,181	$ 53,899

14. Investment in capital and intangible assets:

The investment in capital and intangible assets consists of the following:

	2006	2005
Capital assets	$ 72,189	$ 71,298
Intangible assets	12	14
Less:		
Amounts financed by deferred capital campaign contributions	(3,431)	(3,523)
Deferred capital contributions	(53,181)	(53,899)
Amounts financed by capital lease	(2,804)	(3,105)
Balance, end of year	$ 12,785	$ 10,785

The change in investment in capital and intangible assets is calculated as follows:

	2006	2005
Purchase of capital assets internally financed	$ 5,483	$ 6,556
Amortization of:		
Capital assets	(8,229)	(9,089)
Deferred capital contributions	4,456	4,501
Deferred capital campaign contributions	287	252
Gain on disposal of capital assets	3	9
Increase in investment in capital and intangible assets	$ 2,000	$ 2,229

15. Restrictions on net assets:

Net assets restricted for endowment purposes are subject to externally imposed restrictions stipulating that the resources be maintained permanently. Investment income on these resources is externally restricted to provide various scholarships, bursaries and other expenditures.

Internally restricted net assets consist of the following:

	2006	2005
Princess Street structural reserve	$ 430	$ –
Contract training net proceeds	715	340
Balance, end of year	$ 1,145	$ 340

Under a college internal best practice guideline, net proceeds earned from designated contract training activities are restricted and eligible for expenditure under certain conditions, in the years following contract completion.

16. Change in non-cash working capital balances:

	2006	2005
Accounts receivable	$ (520)	$ (101)
Inventories	(58)	30
Prepaid expenses	(1,006)	(156)
Accounts payable and accrued liabilities	467	2,290
Deferred revenue	443	785
Change in non-cash working capital	$ (674)	$ 2,848

17. Pension costs and obligations:

The College, together with other related and unrelated parties, is part of a defined benefit pension plan (Civil Service Superannuation Plan) that satisfies the definition of a multi-employer plan. The costs of the benefit plan are not allocated to the individual entities within the group. As a result, individual entities within the group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants Handbook, Section 3461.

The expense related to the pension plan was $587 (2005 - $376). These contributions represent the total pension obligations of the College. The College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

18. Commitments:

The College leases classroom and office space in Winnipeg, Portage la Prairie, Steinbach and Winkler, Manitoba. The College has also contracted for services, as well as leased certain computer and other equipment. Minimum annual lease and contractual commitment payments for accommodation, services, construction costs and equipment, in aggregate, for each of the next five years, is approximately as follows:

2007	$	3,085
2008		1,950
2009		1,173
2010		1,004
2011		806
	$	8,018

19. Related parties:

(a) Crecomm Radio Inc.:

Crecomm Radio Inc. (Crecomm), is an organization controlled and partially funded by the College. It operates a campus radio station and provides training and educational opportunities for Creative Communication students. Crecomm is incorporated under the *Corporations Act of Manitoba.* As at June 30, 2006, net resources of Crecomm amount to $14.

The net assets and results from operations of Crecomm are not included in the statements of the College.

(b) Canadian Animal Blood Bank Inc.:

The Canadian Animal Blood Bank Inc. (the Blood Bank) is a significantly influenced investee owned 50 percent by the College and 50 percent by the Manitoba Veterinary Medical Association. The Blood Bank is dedicated to improving veterinary care by providing blood products for animals who require transfusion therapy. The Blood Bank is incorporated under the *Corporations Act of Manitoba* and operates on a not-for-profit basis. As at May 31, 2006, net resources of the Blood Bank amount to $87.

The net assets and results of operations of the Blood Bank are not included in the statements of the College.

20. Charitable status:

The College is a registered charity under the *Income Tax Act*.

21. Financial instruments:

Credit risk:

Credit risk is the risk to the College's earnings arising from the risk that a counter party to a transaction is unable to satisfy its obligations to the College. Credit risk is mitigated by the fact that the College's accounts receivable are comprised of a large number of comparatively small individual balances.

Fair value:

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of their fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, short-term investments and accounts receivable. Short-term financial liabilities are comprised of accounts payable and accrued liabilities and current portion of obligations under capital leases. The fair value of obligations under capital leases are also approximately equal to their carrying amounts.

22. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

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Burntwood Regional Health Authority Inc.	March 31, 2007	628
Churchill Regional Health Authority Inc.	March 31, 2007	646
Interlake Regional Health Authority	March 31, 2007	661
Nor - Man Regional Health Authority Inc.	March 31, 2007	680
North Eastman Health Association Inc.	March 31, 2007	695
Parkland Regional Health Authority Inc.	March 31, 2007	711
Regional Health Authority - Central Manitoba Inc.	March 31, 2007	730
South Eastman Health / Santé Sud-Est Inc.	March 31, 2007	747
Winnipeg Regional Health Authority	March 31, 2007	766
Affiliated Non-devolved Entities		
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To the Board of Assiniboine Regional Health Authority:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and Audit Committee are composed entirely of Directors who are neither management nor employees of the organization. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Audit Committee has the responsibility of meeting with management and external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit Committee is also responsible for recommending the appointment of the organization's external auditors.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

June 8, 2007

Chief Executive Officer

Chief Financial Officer

To the Board of Directors of Assiniboine Regional Health Authority:

We have audited the consolidated statement of financial position of Assiniboine Regional Health Authority as at March 31, 2007 and the consolidated statements of operations and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Assiniboine Regional Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Assiniboine Regional Health Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Brandon, Manitoba

June 8, 2007

Chartered Accountants

Assiniboine Regional Health Authority

Consolidated Statement of Financial Position

As at March 31, 2007

	2007	2006
Assets		
Current Assets		
Cash	**18,285,357**	10,541,122
Marketable securities	**3,682,990**	3,517,221
Accounts receivable (Note 3)	**2,059,608**	2,637,322
Manitoba Health receivable - vacation entitlement (Note 4)	**6,484,052**	6,484,052
Inventories	**1,129,108**	1,098,285
Prepaid expenses	**582,830**	295,666
	32,223,945	24,573,668
Manitoba Health receivable - pre-retirement obligation (Note 5)	**7,336,760**	7,336,760
Capital assets (Note 6)	**75,074,652**	75,279,362
Trust assets	**104,328**	100,393
	114,739,685	107,290,183
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	**9,483,978**	7,402,883
Due to Manitoba Health (Note 7)	**5,348,914**	2,830,671
Current portion of long-term debt (Note 8)	**144,394**	135,337
Accrued vacation entitlement (Note 4)	**7,095,169**	7,201,456
	22,072,455	17,570,347
Long-term debt (Note 8)	**2,684,131**	2,826,377
Accrued pre-retirement obligation (Note 5)	**8,882,291**	8,470,673
Deferred contributions (Note 9)	**75,637,235**	76,456,612
Trust liabilities	**104,328**	100,393
	109,380,440	105,424,402
Commitments and contingencies (Note 10)	**-**	-
Net Assets		
Invested in capital assets (Note 11)	**3,336,867**	3,525,911
Internally restricted (Note 12)	**247,481**	136,940
Unrestricted	**1,774,897**	(1,797,070)
	5,359,245	1,865,781
	114,739,685	107,290,183

Approved on behalf of the Board:

Director

Director

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority
Consolidated Statement of Operations
For the year ended March 31, 2007

	2007	2006
Revenues		
Manitoba Health operating income (Note 13)	**119,790,997**	114,498,280
Authorized/residential charges	**12,333,338**	12,049,529
Amortization of deferred contributions	**4,351,620**	4,125,768
Other income	**4,112,298**	3,513,570
Ancillary	**1,262,581**	1,228,718
Province of Manitoba	**2,093,172**	1,816,108
	143,944,006	137,231,973
Expenses		
Acute care	**45,171,617**	44,082,864
Long-term care	**46,556,507**	45,592,330
Community-based home care services	**10,670,229**	10,562,081
Medical remuneration	**10,402,042**	10,616,873
Community-based health services	**5,160,566**	5,349,196
Land ambulance	**5,083,512**	4,778,770
Community-based mental health services	**1,801,149**	1,734,992
Therapy services	**768,672**	767,959
Community-based services administration	**648,977**	597,125
	126,263,271	124,082,190
Other Undistributed Costs		
Regional health authority costs	**7,458,404**	6,901,753
Amortization of capital assets	**4,531,577**	4,348,065
Ancillary	**1,238,842**	1,216,006
Pre-retirement	**1,294,151**	1,780,572
	14,522,974	14,246,396
Total expenses and other undistributed costs	**140,786,245**	138,328,586
Excess (deficiency) of revenues over expenses	**3,157,761**	(1,096,613)

Assiniboine Regional Health Authority
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2007

	Invested in Capital assets	*Internally Restricted*	*Unrestricted*	**2007**	2006
Balance, beginning of year	3,525,911	136,940	(1,797,070)	**1,865,781**	2,921,722
Transfer to (from) deferred contributions	-	-	247,107	**247,107**	(17,686)
Investment in capital assets	5,886	(6,550)	-	**(664)**	(19,449)
Internally restricted assets	-	117,091	-	**117,091**	107,638
Excess (deficiency) of revenues over expenses	(194,930)	-	3,352,691	**3,157,761**	(1,096,613)
Elderly Persons Housing adjustments	-	-	(34,764)	**(34,764)**	(29,831)
Reclassification from prior year	-	-	6,933	**6,933**	-
Balance, end of year	**3,336,867**	**247,481**	**1,774,897**	**5,359,245**	1,865,781

The accompanying notes are an integral part of these financial statements

Assiniboine Regional Health Authority
Consolidated Statement of Cash Flows
For the year ended March 31, 2007

	2007	2006
Cash Flows from Operating Activities		
Deficiency of revenues over expenses	**3,157,761**	(1,096,613)
Adjustments for		
Loss (gain) on disposal of capital assets	**1,109**	(20,612)
Amortization of deferred contributions	**(4,351,620)**	(4,125,768)
Amortization of capital assets	**4,531,577**	4,348,065
	3,338,827	(894,928)
Changes in non-cash working capital balances		
Accounts receivable	**577,714**	(1,186,332)
Inventories	**(30,823)**	74,120
Prepaid expenses	**(287,164)**	58,062
Marketable securities	**(165,769)**	(160,347)
Due to Manitoba Health	**2,518,243**	1,123,871
Accounts payable and accrued liabilities	**2,081,095**	(497,272)
Accrued vacation entitlement	**(106,287)**	535,888
	7,925,836	(946,938)
Cash Flows from Investing and Financing Activities		
Increase in capital assets	**(4,326,867)**	(4,043,613)
Increase in deferred contributions	**3,532,243**	4,360,395
Increase (decrease) in long-term debt	**(133,189)**	(127,519)
Increase in accrued retirement obligation	**411,618**	1,092,773
Increase (decrease) in net assets	**334,594**	61,284
	(181,601)	1,343,320
Increase (decrease) in cash and cash equivalents during the year	**7,744,235**	396,382
Cash and cash equivalents, beginning of year	**10,541,122**	10,144,740
Cash and cash equivalents, end of year	**18,285,357**	10,541,122

The accompanying notes are an integral part of these financial statements

1. Purpose of the organization

The Assiniboine Regional Health Authority is a non-profit organization created by regulation 99/2002 under the Regional Health Authorities Act. Through participation and teamwork, and available resources, the Assiniboine Regional Health Authority's mission is to share in enhanced well-being through the delivery of quality health services that are responsive to the needs of the population.

The organization is a registered charity and, as such, is exempt from income taxes and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

The Authority follows the deferral method of accounting for contributions including government grants and donations.

The Authority is funded primarily through grants from Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. In accordance with funding arrangements with Manitoba Health, estimated final settlements are accrued in the fiscal period to which they relate. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Where a grant or other restricted contribution is received but relates to expenses of one or more future periods, it is deferred and recognized as revenue in the same period as the related expenses are recognized. Contributions restricted for the purchase of capital assets or to repay long-term debt as a lump sum are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Contributed services

A number of individuals donate significant amounts of time to the Authority's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Marketable securities

Marketable securities are stated at the lower of cost and market value. These marketable securities have a fair market value of $3,734,609 as at March 31, 2007 (2006 - $3,588,892), with interest rates ranging from 3.45% to 8.5% and maturing from July 16, 2007 to September 8, 2023.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the first-in, first-out method.

Capital assets

Capital assets are initially recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of assets over their estimated useful lives.

	Method	Rate
Buildings	straight-line	10-40 years
Equipment, computers, vehicles, ambulance equipment	straight-line	5-10 years
Land improvements	straight-line	15 years

2. Significant accounting policies *(continued)*

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Pre-retirement obligations

The Authority applies the accounting recommendations for employee future benefits contained in *Section 3461* of the *Canadian Institute of Chartered Accountants' Handbook.*

Basis of consolidation

The following entities have been consolidated into these financial statements as at March 31, 2007 respectively.

Hamiota District Health Centre Inc. Lilac Residence (East Wing)
Hamiota District Health Centre Inc. Lilac Residence (North Wing)
Morley House of Shoal Lake Elderly Persons Housing
Morley House of Shoal Lake Lakeshore Lodge
Pioneer Lodge Inc.
Riverdale Personal Care Home Inc. Westwood Lodge
Tiger Hills Villa Inc.

The financial statements of the above entities are prepared in accordance with the accounting principles required by Manitoba Housing and Renewal Corporation (MHRC). The differences in accounting policies used by the above entities and Assiniboine Regional Health Authority would not result in significant changes to these consolidated financial statements.

Financial information at different dates

The following entities have been consolidated into these financial statements as at December 31, 2006:

Baldur Handi-Van Service
Glenboro Handi-Van Service
Hartney Handi-Transit
Souris Handi-Transit
Tiger Hills Handi-Van Service

These entities have not been reported as at March 31, 2007 due to the reporting requirements of their funding agency: The Province of Manitoba – Department of Highways and Transportation. There have been no significant transactions in the intervening period between December 31, 2006 and March 31, 2007, and their revenues and expenses for the three-month intervening period have not been prepared since these entities are not significant to the Assiniboine Regional Health Authority as a whole.

2. Significant accounting policies *(continued)*

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of capital assets. The accrued pre-retirement obligation and the accrued vacation entitlement liability are stated based on management estimates and actuarial valuations. Changes to the underlying assumptions and estimates or legislative changes in the near term could have a material impact on the provision recognized

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in operations in the periods in which they become known.

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 Hedges. Section 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Although the requirements of Section 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to Section 4400 Not-For-Profit Organizations will require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. There have also been numerous consequential amendments made to other Sections.

In December 2006, the Canadian Institute of Chartered Accountants issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. These new Sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date.

3. Accounts receivable

	2007	*2006*
Trade receivables	**2,018,421**	2,597,648
GST receivable	**197,433**	181,627
Allowance for doubtful accounts	**(156,246)**	(141,953)
	2,059,608	2,637,322

4. Accrued vacation entitlement

The liability for the accrued vacation entitlement, as well as, the appropriate amount receivable from Manitoba Health has been recorded. Prior to April 1, 2004, deferred vacation entitlement costs were treated as Out-of-Globe by Manitoba Health. Since that time, In-Globe funding has been amended to include these costs. There will be an offsetting receivable from Manitoba Health only for the accumulated accrued vacation liability up to March 31, 2004. As at March 31, 2006, the amount receivable is $6,484,052.

	2007	*2006*
Due to Assiniboine Regional Health Authority Employees	**7,095,169**	7,188,459
Due to Diagnostic Services of Manitoba	**-**	12,997
	7,095,169	7,201,456

5. Accrued retirement obligations

	2007	*2006*
Due to Members of the Health Employees Pension Plan and Members of the Civil Service Superannuation Plan	**8,845,227**	8,434,802
Due to Diagnostic Services of Manitoba	**37,064**	35,871
	8,882,291	8,470,673

Pre-retirement

The Health Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

i) has ten years service and has reached the age of 55 or
ii) qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
iii) retires at or after age 65 or
iv) terminates employment at any time due to permanent disability

The Health Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for MGEU Community Support members of the Civil Service Superannuation Plan, employed by the Authority on or before May 2, 2003, is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

i) one week of severance pay for each year of service up to 15 years of service

ii) two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 30 years of service

Funding for the retirement obligation is recoverable from Manitoba Health for pre-retirement costs incurred up to March 31, 2004 on an Out-of-Globe basis in the year of payment. As of April 1, 2004, In-Globe funding has been amended to include these costs. As at March 31, 2007, the amount receivable is $7,336,760.

5. Accrued retirement obligations *(continued)*

Pension plans

Most of the employees of the Authority are members of the Health Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook, Section 3461*.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.6% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, and 8.2% thereafter, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

The December 2002 Health Employees Pension Plan (HEPP) actuarial valuation revealed that current contribution levels are insufficient to fund basic plan benefits, and do not make provisions for unexpected unfunded liabilities. The HEPP Board had two options:

i) to request a rate increase from the signatory boards and unions or
ii) to reduce benefits.

In January 2005, the Board proposed the contribution rate increases over three years, which was approved by the signatory unions and employers in mid April 2005. The Plan's actuary review indicates that the approved contribution rate increases should be sufficient for the pension Plan to remain fully-funded at this time.

Actual contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $4,133,856 (2006 - $3,815,626) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is reflected in the financial statements relating to the effects of participating in the Plan by the Authority and its employees.

6. Capital assets

		2007		*2006*
	Cost	*Accumulated Amortization*	***Net Book Value***	*Net Book Value*
Land	510,225	-	**510,225**	510,891
Land improvements	1,564,839	969,432	**595,407**	681,526
Buildings	93,804,343	33,979,969	**60,824,374**	62,943,737
Equipment, computers, vehicles, ambulance	18,782,933	9,182,598	**9,600,335**	9,086,663
Construction in progress	3,544,311	-	**3,544,311**	2,056,545
	118,206,651	43,131,999	**75,074,652**	75,279,362

7. Due to Manitoba Health

	2007	*2006*
Out-of-Globe 2003/2004	**799,649**	799,649
Out-of-Globe 2004/2005	**1,328,406**	1,328,406
Out-of-Globe 2005/2006	**1,863,032**	702,616
Out-of-Globe 2006/2007	**1,357,827**	-
	5,348,914	2,830,671

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Health Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

8. Long-term debt

	2007	*2006*
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.37% to 6.00%, due from October 1, 2006 to March 1, 2018, with monthly payments of principal and interest from $142 to $2,854, secured by buildings.	**640,373**	689,163
Mortgages payable to Manitoba Housing and Renewal Corporation at interest rates from 7.75% to 10.75%, due from December 31, 2022 to December 31, 2023, with monthly payments of principal and interest from $5,478 to $6,479 secured by buildings.	**1,205,924**	1,238,840
Mortgage payable to Tiger Hills Credit Union Limited, at 5.00%, monthly payments of $8,684 principal and interest, secured by a first charge against the Tiger Hills Villa land and buildings, a general assignment of all rents and leases and a chattel mortgage covering the appliances in the Tiger Hills Villa.	**982,228**	1,033,711
	2,828,525	2,961,714
Less: current portion	**144,394**	135,377
	2,684,131	2,826,377

Principal repayments for the next five years and thereafter are as follows:

2008	144,394
2009	153,310
2010	162,766
2011	172,896
2012	183,718
Thereafter	2,011,441
	2,828,525

In prior years, the Assiniboine Regional Health Authority entered into long-term loan agreements with various financial institutions to provide debt financing to the Authority. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, this long-term debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba as at April 1, 2004.

Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Assiniboine Regional Health Authority has restated the long-term debt as deferred contributions in its financial statements.

9. Deferred contributions

Expended and unexpended deferred contributions represent restricted capital funding received.

Expended deferred contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets and the repayment of capital debt. The amortization of capital deferred contributions is recorded as revenue in the statement of operations.

Unexpended deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment, major repairs, construction and other expenses.

Other deferred contributions represent donations that were received from other sources restricted by site or by program for the purchase of capital assets or other items, as per the donor's request.

Changes in the deferred contributions balance are as follows:

	Expended	**Unexpended**	**Other**	**2007**	2006
Balance, beginning of year, as previously stated	**69,058,180**	**4,451,671**	**2,740,801**	**65,725,989**	66,947,795
Restated lines of credit and long-term debt	-	-	-	-	10,495,996
Beginning of year, as restated	**69,058,180**	**4,557,550**	**2,840,882**	**76,456,612**	76,221,985
Funding Manitoba Health	-	**5,958,450**	-	**5,958,450**	2,099,018
Donations received	-	-	**945,475**	**945,475**	978,096
Interest earned	-	**10,389**	**124,766**	**135,155**	130,518
Other funding	-	**1,529,218**	**29,878**	**1,559,096**	1,519,365
Capital asset purchases	**4,325,427**	**(1,424,489)**	**(874,568)**	**2,026,370**	2,072,397
Operating expenses		**(2,014,499)**	**(222,088)**	**(2,236,587)**	(2,273,112)
Amortization	**(4,206,634)**	-	-	**(4,206,634)**	(4,025,057)
Principal payments on long term debt	-	**(4,597,951)**	-	**(4,597,951)**	(851,015)
Reclassification	**(242,681)**	**(131,058)**	**(29,012)**	**(402,751)**	584,417
Balance, end of year	**68,934,292**	**3,887,610**	**2,815,333**	**75,637,235**	76,456,612

9. Deferred contributions *(continued)*

The lines of credit and long-term debt that have been incorporated in deferred contributions include the following:

	2007	2006
Lines of credit	**1,784,658**	3,743,503
Mortgages payable to Canada Mortgage and Housing Corporation at interest rates from 4.17% to 10.50%, due from January 1, 2009 to May 1, 2029, with monthly payments of principal and interest from $1,368 to $5,718, secured by buildings	**6,095,185**	7,183,743
Demand loans payable to Royal Bank prime less 0.50%.	-	6,612
	7,879,843	10,933,858

Lines of Credit

The Assiniboine Regional Health Authority has $5,800,000 authorized lines of credit bearing interest at the bank's prime rate minus 0.65%. Security provided on these lines of credit includes an overdraft borrowing agreement and a letter of comfort from Manitoba Health.

10. Commitments and contingencies

The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007 management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Health Authority's financial position.

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit person's reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any losses experienced by the group of subscribers for the years in which they were a subscriber. As of December 31, 2005, the Authority has a subscriber's surplus of $229,894. No such assessments have been made to December 31, 2006.

Environmental Liabilities

In accordance with accounting policy of the Province of Manitoba, the Assiniboine Regional Health Authority has no known environmental liabilities for contaminated sites for which the Authority will become obligated to incur remediation costs due to reasons of public health and safety, contractual agreements, or to meet such standards which are set out in any act or regulation of government.

11. Invested in capital assets

	2007	2006
Capital Assets	**75,074,652**	75,279,362
Amounts financed by:		
Deferred contributions related to capital assets	**(68,934,292)**	(69,058,180)
Long-term debt	**(2,828,525)**	(2,961,714)
Due from operating account	**25,032**	266,443
	3,336,867	3,525,911

12. Internally restricted net assets

The Authority has restricted $247,481 (2006 - $136,940) in net assets as this represents parking proceeds. The funds have been internally restricted for future repair or replacement of Health Centre parking lots.

13. Manitoba Health operating income

	2007	2006
Revenue as per Manitoba Health's final funding document	**121,499,011**	**117,001,576**
Add:		
CUPE wage standardization	**646,313**	782,477
CUPE wage settlement funding	**10,060**	269,255
MGEU community support special adjustment	**175,131**	-
MGEU professional technical market supplement	**108,236**	8,674
Primary Health Care Phase 1	**-**	123,474
Primary Health Care Phase 2	**16,000**	-
Quarterly Medical Reviews	**-**	-
Admission / discharge / transfer software	**58,705**	54,400
Minnedosa arthroscopy program - wait list funding	**229,400**	37,650
Rivers rehabilitation program - wait list funding	**206,300**	85,929
Provincial data network	**57,601**	48,653
Interfacility transfers	**264,581**	-
Mental health worker	**83,600**	-
Pandemic planning	**100,000**	-
Pre-retirement leave	**798,672**	-
	2,754,599	1,410,512
Deduct:		
Medical remuneration - out-of-globe	**(2,380,575)**	(1,867,208)
Adjustments (rounding variances, write-offs, etc.)	**(2)**	21
	(2,380,577)	(1,867,187)
Total funding approved by Manitoba Health	**121,873,033**	116,544,901

13. Manitoba Health operating income *(continued)*

	2007	2006
Total funding approved by Manitoba Health *(continued)*	**121,873,033**	116,544,901
Deduct:		
Amounts recorded as deferred contributions:		
Capital funding	**(1,536,015)**	(1,550,822)
Capital interest on loans reclassified to deferred contributions	**(546,021)**	(495,799)
	119,790,997	114,498,280

14. Financial instruments

The organization as part of its operations carries a number of financial instruments. It is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value disclosure

The carrying values of current financial assets and liabilities approximate their fair values, due to the short-term nature of these instruments.

The carrying value of the Authority's floating rate long-term debt approximates its fair value, because interest charges under the terms of the debt are based upon current Canadian bank prime rates.

It is not practicable within the constraints of timeliness or cost to determine the fair value of long-term debt and investments in or advances to and from related entities including Manitoba Health, because these instruments are not traded in an organized financial market.

15. Economic dependence

Assiniboine Regional Health Authority receives a substantial portion of its revenue from Manitoba Health.

16. Comparative figures

Certain comparative figures have been reclassified. if necessary, to conform with the current year presentation.

Deloitte.

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AUDITORS' REPORT

To the Board of Directors of
Brandon Regional Health Authority

We have audited the consolidated statement of financial position of Brandon Regional Health Authority as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Brandon Regional Health Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte + Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 22, 2007

Member of
Deloitte Touche Tohmatsu

Brandon Regional Health Authority
Consolidated Statement of Financial Position

March 31	2007	2006
ASSETS		
CURRENT		
Accounts receivable (Note 3)	$ 4,989,798	$ 3,592,752
Inventories	1,418,977	1,454,181
Prepaid expenses	1,443,676	1,572,324
Due From Manitoba Health - Vacation	7,224,269	7,224,269
	15,076,720	**13,843,526**
DUE FROM MANITOBA HEALTH - Pre-retirement	9,191,179	9,191,179
INVESTMENTS (Note 4)	3,668,868	3,685,641
CAPITAL ASSETS (Note 5)	107,168,496	107,405,401
	$ 135,105,263	**$ 134,125,747**
LIABILITIES		
CURRENT		
Bank advances - operating (Note 6)	$ 1,049,564	$ 612,134
Accounts payable and accrued liabilities	7,981,486	6,376,250
Bank advances	1,113,509	1,196,708
Employee Future Benefits - Vacation	9,016,534	8,633,463
Current portion of obligation under capital lease (Note 8)	200,428	391,475
Current portion of long term debt (Note 7)	97,437	91,490
	19,458,958	**17,301,520**
ACCRUED EMPLOYEE FUTURE BENEFITS - Pre-retirement	11,448,862	10,810,650
OBLIGATION UNDER CAPITAL LEASE (Note 8)	-	200,428
LONG TERM DEBT (Note 7)	857,831	955,268
DEFERRED CONTRIBUTIONS (Note 9)		
Expenses of future periods	1,296,058	1,338,791
Capital assets	100,692,626	102,159,555
	133,754,335	**132,766,212**
NET ASSETS		
Invested in capital assets (Note 10)	2,198,310	2,947,072
Internally restricted (Note 11)	3,567,018	3,158,527
Externally restricted (Note 11)	27,164	26,939
Unrestricted	(4,441,564)	(4,773,003)
	1,350,928	**1,359,535**
COMMITMENTS AND CONTINGENCIES (Note 13)		
	$ 135,105,263	$ 134,125,747

Brandon Regional Health Authority
Consolidated Statement of Operations

For the year ended March 31		2007		2006
REVENUE				
Manitoba Health operating income				
Income as per Funding Document (excluding funding related to Capital and Interest)	$	145,144,257	$	137,158,524
One Time Funding		1,364,828		-
Retroactive Salary Payments		495,847		998,765
Recovery of Non Global Items		2,462,809		1,774,405
Other Manitoba Health income		3,403,129		3,859,492
Total Manitoba Health Funding (Note 12)		152,870,870		143,791,186
Non-insured income		6,980,737		7,078,081
Other Income		2,814,096		2,325,165
Amortization of deferred contributions		9,325,399		8,317,074
Capital revenue - Non Devolved Facilities		572,698		612,962
Ancillary revenue		3,827,079		3,924,657
		176,390,879		**166,049,125**
EXPENSES				
Acute Care Services		100,993,479		98,073,160
Long Term Care Services		22,680,424		21,867,031
Medical Remuneration - All Programs		12,195,921		11,123,340
Community Based Mental Health Services		11,618,423		11,642,996
Community Based Home Care Services		6,121,714		6,020,074
Community Based Health Services		4,693,620		4,394,950
Land Ambulance		545,112		220,120
RHA Administration Costs		2,864,029		2,737,002
Amortization of capital assets		8,826,480		8,165,601
Capital payments - Non Devolved Facilities		572,698		612,963
Interest on capital lease		23,429		44,903
Interest on long term debt		68,039		73,623
Other operating expenses		1,474,994		1,590,774
Ancillary expenses		3,721,124		3,918,885
		176,399,486		**170,485,422**
Shortfall of revenue over expenses for the year	$	**(8,607)**	$	**(4,436,297)**

ALLOCATION OF SHORTFALL FROM OPERATIONS:

Investment in Capital Assets - Manitoba Health Activities	$	(843,027)	$	(847,925)
Unrestricted - Manitoba Health Activities		772,672		(3,544,082)
Investment in Capital Assets - Non Manitoba Health Activities		(441,720)		(513,330)
Internally Restricted - Non Manitoba Health Activities		503,243		468,815
Externally Restricted		225		225
	$	**(8,607)**	$	**(4,436,297)**

Brandon Regional Health Authority
Consolidated Statement of Changes in Net Assets

For the year ended March 31, 2007

	Invested in Capital Assets	Internally Restricted	Externally Restricted	Unrestricted	2007 Total	2006 Total
BALANCE, beginning of year	$ 2,947,072	$ 3,158,527	$ 26,939	$ (4,773,003)	$ 1,359,535	$ 5,795,832
(Shortfall) Excess of revenue over expenses	(1,284,747)	503,243	225	772,672	(8,607)	(4,436,297)
Net change in investment in capital assets	535,985	(94,752)		(441,233)	-	-
BALANCE, end of year	**$ 2,198,310**	**$ 3,567,018**	**$ 27,164**	**$ (4,441,564)**	**$ 1,350,928**	**$ 1,359,535**

Brandon Regional Health Authority
Consolidated Statement of Cash Flows

For the year ended March 31	2007	2006
OPERATING ACTIVITIES		
Shortfall of revenue over expenses for the year	$ (8,607)	$ (4,436,297)
Items not affecting cash		
Amortization of capital assets	8,826,480	8,165,601
Amortization of deferred contributions related to expenses of future periods	(1,783,665)	(1,512,729)
Amortization of deferred contributions related to capital assets	(7,541,734)	(6,804,345)
Net Change to employee future benefits	1,021,283	1,279,700
Changes in non-cash operating working capital items	372,040	(6,105,975)
	885,797	(9,414,045)
FINANCING ACTIVITIES		
Receipt of deferred contributions related to expenses of future periods	1,783,385	1,730,627
Receipt of deferred contributions related to capital assets	6,032,352	4,764,895
Proceeds from bank advances	437,430	612,134
Repayment of bank advances	(83,199)	(105,000)
Repayment of long term debt	(91,489)	(85,906)
Repayment of obligation under capital lease	(391,475)	(370,001)
	7,687,004	6,546,749
INVESTING ACTIVITIES		
Purchase of capital assets	(8,589,574)	(5,166,893)
Redemption of Investments	16,773	18,232
	(8,572,801)	(5,148,661)
DECREASE IN CASH	-	**(8,015,957)**
CASH , BEGINNING OF YEAR		**8,015,957**
CASH END OF YEAR	$ -	$ -

1 PURPOSE OF THE ORGANIZATION

The Brandon Regional Health Authority ("Authority") was incorporated under the laws of Manitoba on January 6, 1997. The Authority commenced activity on April 1, 1998. The Authority is principally involved in providing health care services to the community of Brandon and surrounding regions. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2 SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Basis of Reporting*

The Authority provides health care services through devolved and contract facilities. All significant inter-divisional transactions of these organizations have been eliminated.

The assets, liabilities, and operations of the following devolved organizations have been included in these financial statements:

Brandon Regional Health Centre
Child and Adolescent Treatment Centre
Community and Home Care Health Services
Community Mental Health Services
Fairview Home
Rideau Park Personal Care Home
Westman Laundry

The health care services provided by the contract facilities are delivered under the control of the Authority as the major funder. The financial position and results of operations of these related organizations (The Salvation Army Dinsdale Personal Care Home and Westman Regional Laboratory Services Inc.) have not been consolidated. Instead a summary of their financial information has been included in these notes (Note 15).

b) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

b) *Revenue recognition (Continued)*

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2007.

Unrestricted contributions are recognized as revenue when received, or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from preferred accommodation and marketed services is recognized when the goods are sold or the service is provided.

c) *Contributed services*

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

d) *Inventories*

Inventories are valued at average cost, except pharmacy inventory which is valued at the actual cost using the first in, first out method.

e) *Investments*

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets, excluding vehicles are amortized on a straight-line basis using the following annual rates:

Parking lots	10%
Buildings	2.5% - 6.67%
Building service equipment/equipment	5% - 20%

Vehicles are amortized an a declining balance basis using 30% as the annual rate and are included in building service equipment/equipment.

g) *Compensated absences*

Compensation expense is accrued for all employees as entitlement to these payments is earned, in accordance with the Authority's benefit plans for vacation.

h) *Pre-Retirement entitlement obligation*

The Authority has recorded an accrual based on an actuarial valuation that includes employees who qualify at the fiscal year-end date and an estimate for the remainder of the employees who have not yet met the criteria below. Funding for the retirement entitlement prior to March 31, 2004 is recoverable from Manitoba Health. Effective April 1, 2004, any increase in the entitlement is the responsibility of the Brandon Regional Health Authority.

The benefits paid during the year by the Authority amounted to $ 638,213 (2006 - $853,521.) and are included in the statement of operations. The service costs for the year were $ 764,403 (2006 - $737,253).

Health Employee Pension Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
- retire at or after age 65
- terminate employment at any time due to permanent disability

Civil Service Superannuation Plan

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years service past the 15 years of service up to 35 years of service

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) *Pre-Retirement entitlement obligation (Continued)*

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (2006 - 5.00%) and a rate of salary increase of 3.0% (2006 - 3.0%) plus age related merit/promotion scale with nil for disability.

i) *Due From Manitoba Health - Employee Future Benefits*

Funding for vacation entitlements and pre-retirement entitlement obligations is provided by Manitoba Health as part of its regular budget in the period in which expenditures are made. The cost of the estimated accrued vacation pay and pre-retirement entitlement obligations at March 31, 2004 was recorded on the statement of financial position as a receivable from Manitoba Health. Effective April 1, 2004 the Brandon Regional Health Authority is responsible for any changes to the vacation and pre-retirement entitlements.

j) *Due to/from Manitoba Health*

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) *Financial Instruments*

Credit Risk

Credit risk arises from the potential that a counter party will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Province of Manitoba which minimizes credit risk.

Interest Rate Risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

Fair Value

The carrying amount of short term financial assets and liabilities is a reasonable estimate of the fair values because of the short maturity of those instruments. Short term financial assets are comprised of accounts receivable and the current portion of the Due from Manitoba Health - Vacation.
Short term financial liabilities are comprised of accounts payable and accrued liabilities, bank advances and the current portion of Employee Future Benefits - Vacation.

The fair value of the long term receivable Due from Manitoba Health - Pre-retirement and the fair value of the long term obligation Accrued Employee Future Benefits - Pre-retirement could not be determined because there is no set date for repayment.

3 ACCOUNTS RECEIVABLE

	2007	2006
Manitoba Health		
Retroactive Salary Increases	$ 495,847	$ 698,511
Other Operations	1,971,185	1,708,025
Out of Globe - 2003/04	(18,642)	(18,642)
Out of Globe - 2004/05	(294,366)	(294,366)
Out of Globe - 2005/06	(106,786)	(94,519)
Out of Globe - 2006/07	(131,624)	-
	1,915,614	1,999,009
Patients	553,284	417,911
Government of Canada - Goods and Services Tax	217,076	230,864
BRHC Foundation , BGH Auxiliary and Westman Laboratory	928,289	42,832
Sundry	1,543,763	1,024,990
	5,158,026	3,715,606
Less allowance for doubtful accounts	(168,228)	(122,854)
	$ **4,989,798**	$ **3,592,752**

4 INVESTMENTS

	2007	
	Cost	Fair Value
Government of Canada Bonds	$ 178,036	$ 181,414
Other Bonds	3,487,676	3,583,684
Other	3,156	3,156
	$ **3,668,868**	$ **3,768,254**

	2006	
	Cost	Fair Value
Government of Canada Bonds	$ 280,756	$ 285,135
Other Bonds	3,362,579	3,461,293
GICs	25,000	25,440
Other	17,306	1,833
	$ **3,685,641**	$ **3,773,701**

The fair values of the investments are based on the year end quoted market bid price.

5 CAPITAL ASSETS

	2007		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,359,966	$ 3,239,547
Buildings	106,180,095	29,061,258	77,118,837
Building service equipment/equipment	81,999,259	58,034,749	23,964,510
Work in Progress	2,845,602	-	2,845,602
	$ **195,624,469**	$ **88,455,973**	$ **107,168,496**

	2006		
	Cost	Accumulated Amortization	Net Book Value
Land & parking lots	$ 4,599,513	$ 1,133,593	$ 3,465,920
Buildings	105,353,726	26,378,153	78,975,573
Building service equipment/equipment	73,715,112	52,117,748	21,597,364
Work in Progress	3,366,544	-	3,366,544
	$ **187,034,895**	$ **79,629,494**	$ **107,405,401**

6 BANK ADVANCES

The bank advances have been authorized by the Province of Manitoba . Interest is paid monthly based on an interest rate of prime minus 1.00%. The amount available for operating credit is $6,900,000.

7 LONG TERM DEBT

	2007	2006
City of Brandon 6.5% loan, repayable $159,529 annually, including interest, maturing 2015.	$955,268	$1,046,758
Less current portion	(97,437)	(91,490)
	$ 857,831	$ 955,268

The fair value of the Authority's long term debt is $1,000,406 as at March 31, 2007 calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

Principal payments due in the next five years are as follows:		
	2008 $	97,437
	2009	103,770
	2010	110,515
	2011	117,699
	2012	125,349

8 OBLIGATION UNDER CAPITAL LEASE

	2007	2006
Royal Bank of Canada Monthy payments including interest at 5.722% of $34,575, expiring September 2007.	$ 200,428	$ 591,903
Less: Current Portion	(200,428)	(391,475)
	$ -	$ 200,428
Final lease payments due in :	2008 $	$ 200,428

9 DEFERRED CONTRIBUTIONS

a) *Expenses of future periods*

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for equipment and construction projects.

		2007		2006
Balance, beginning of year	$	1,338,791	$	1,261,857
Add amount received		1,783,385		1,730,627
Less amount transferred to deferred contributions related to capital assets		(42,453)		(140,964)
Less amount amortized to revenue in the year		(1,783,665)		(1,512,729)
Balance, end of year	$	**1,296,058**	$	**1,338,791**

b) *Capital assets*

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

		2007		2006
Balance, beginning of year	$	102,159,555	$	104,058,040
Additional contributions received		6,032,352		4,764,895
Add amount transferred from expenses of future periods		42,453		140,965
Less amounts amortized to revenue in the year		(7,541,734)		(6,804,345)
Balance, end of year	$	**100,692,626**	$	**102,159,555**

The balance of unamortized capital contributions related to capital assets consists of the following:

		2007		2006
Unamortized capital contributions used to purchase assets	$	101,566,834	$	101,773,010
Underspent/(Overspent) contributions		(874,208)		386,545
	$	**100,692,626**	$	**102,159,555**

9 DEFERRED CONTRIBUTIONS - Capital Assets (Continued)

During the 2006 fiscal year, the Province of Manitoba assumed the long term and third party debt of the Authority and was recognized as borrowings in the Public Accounts of the Province of Manitoba. Accordingly, the Authority has classified the long term debt and short term financing as deferred contributions. The following long term debt related to third party's is included in deferred contributions:

	2007	2006
School of Nursing Building 5.75% mortgage, repayable $27,241 semi-annually, including interest, maturing 2019. The mortgage is secured by land and buildings.	$ 467,609	$ 494,057
Fairview Home 6% mortgage, repayable $3,907 monthly, including interest, maturing 2018. The mortgage is secured by land and buildings.	392,245	413,095
Fairview Home 7 1/2% mortgage, repayable $2,778 monthly, including interest, maturing 2023. The mortgage is secured by land and buildings.	315,772	323,994
Fairview Home 10 1/8%, sinking fund debenture, repayable $97,318 monthly, including interest, maturing 2008. The indenture documentation assigns the subsidies provided by Manitoba Health for payment of the debenture.	9,250,000	9,250,000

10 INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2007	2006
Capital assets	$ 107,168,496	$ 107,405,401
Funds held by Manitoba Health		
Amounts financed by:		
Deferred contributions	(101,566,834)	(101,773,010)
Obligation under capital lease	(200,428)	(591,903)
Accounts Payable	(1,134,146)	150,050
Loan and mortgage payable	(2,068,778)	(2,243,466)
	$ 2,198,310	**$ 2,947,072**

11 RESTRICTED ASSETS

Internally Restricted

The Board of Directors has restricted net assets related to non Manitoba Health activities of $3,567,018 (2006 - $3,158,527). The revenue earned on these restricted assets is used for the operations of these non Manitoba Health activities and for possible capital asset purchases.

Externally Restricted

Net assets are restricted for scholarship purposes and are subject to externally imposed restrictions that the assets be maintained permanently. Investment income from this fund is restricted for a scholarship.

12 MANITOBA HEALTH REVENUE

	2007	2006
Allocation per Funding Document	$ 148,082,678	$ 139,476,651
Add: MAHCP Accrual	495,847	211,934
CUPE Retro	-	486,577
MNU Retro		-
Waiting Lists Initiative Funding	381,085	300,254
CIHI Funding	98,638	-
One Time Funding - PreRetirement	802,518	-
One Time Funding - ER Hard To Fill Shift Premium	82,587	-
Total Funding Approved by Manitoba Health	149,943,353	140,475,416
Add: Other Income		
Non-Global Reconciliation	2,462,809	1,774,404
Separately Funded Programs	119,965	402,246
Fee for Service Income	3,283,164	3,457,246
Less: Amounts recorded in Deferred Contributions	(2,938,421)	(2,318,126)
Total Revenue from Manitoba Health	**$ 152,870,870**	**$ 143,791,186**

13 COMMITMENTS AND CONTINGENCIES

a) The Authority has entered into various operating lease commitments. The amounts payable over the next five years are as follows:

2008	$	1,214,417
2009		1,218,629
2010		1,209,345
2011		630,457
2012		646,328

b) The Authority is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

c) Effective January 1, 2003 the Authority joined in the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks for its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2007.

14 PENSION PLAN

The majority of the employees of the Authority are members of the Health Employees Pension Plan (HEPP), which is a multi-employer defined benefit pension plan. HEPP plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual health entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by HEPP by placing plan assets in trust and through HEPP investment policy. Pension expense is based on HEPP management's best estimates, in consultation with its actuaries, of the amount, together with the 5% basic annual earnings up to the Canada Pension Plan ceiling plus 6.6% of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by HEPP. The funding objective is for employer contributions to HEPP to remain a constant percentage of employee's contributions.

Variance between actuarial funding estimates and actual expenditures may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2004, indicates the plan is fully funded. Actual contributions to HEPP made during the year by the Authority on behalf of its employees amounted to $4,553,632 (2006 - $4,007,947) and are included in the statement of operations.

The remaining employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Authority and its employees.

15 NON-DEVOLVED FACILITIES

The Authority has a contract arrangement with The Salvation Army Dinsdale Personal Care Home, which provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

Until December 2005 the Authority had the responsibility of providing management services to Westman Regional Laboratory. At that time the management was transferred to Diagnostic Services of Manitoba (DSM). The Authority continutes to provide other services which will be transitioned to DSM by 2007. Westman Lab provides laboratory services to a number of health care providers in Manitoba. The majority of Westman Lab's revenue is from Manitoba Health.

The Authority does recognize that since there is economic dependence of both Dinsdale Personal Care Home and Westman Lab on the Authority, accounting control does exist between the Authority and these organizations. In light of this, management of the Authority has provided a financial summary of these organizations. All revenues received by the Authority on behalf of Westman Lab and Dinsdale Personal Care Home are reflected in the Authorities revenues and payments issued to these entities are recorded as expenses.

Financial statements of Dinsdale Personal Care Home and Westman Lab are available upon request.

The Salvation Army Dinsdale Personal Care Home

	2007	2006
FINANCIAL POSITION		
Total assets	$ 2,958,389	$ 3,060,694
Total liabilities	$ 2,912,761	$ 3,015,810
Total net assets	45,628	44,884
	$ 2,958,389	$ 3,060,694
RESULTS OF OPERATIONS		
Total revenues	$ 3,467,292	$ 3,355,291
Total expenses	(3,479,528)	(3,413,471)
Net operating deficit	$ (12,236)	$ (58,180)

Westman Regional Laboratory Services Inc.

	2007	2006
FINANCIAL POSITION		
Total assets	$ 6,133,791	$ 5,897,670
Total liabilities	$ 6,140,682	$ 5,904,561
Total net assets	(6,891)	(6,891)
	$ 6,133,791	$ 5,897,670

15 NON-DEVOLVED FACILITIES (Continued)

RESULTS OF OPERATIONS

Total revenues	$	12,819,700	$	12,208,025
Total expenses		(14,291,769)		(13,556,575)
Net operating shortfall (recoverable from Manitoba Health)	$	(1,472,069)	$	(1,348,550)

AUDITORS REPORT

To the Directors of The Salvation Army Dinsdale Personal Care Home

We have audited the consolidated statement of financial position of The Salvation Army Dinsdale Personal Care Home as at March 31, 2007 and the consolidated statements of operations, expenditures and changes in net assets for the year then ended. These consolidated financial statements are the responsibility of the organization. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its consolidated operations , and changes in net assets for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba
January 23, 2008

DUNCAN SABINE COLLYER PARTNERS LLP
CERTIFIED GENERAL ACCOUNTANTS

STATEMENT 1

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

	2007	2006
ASSETS		
Current		
Cash	$ 199,754	$ 121,735
Resident trust deposits	6,107	7,727
Accounts receivable	7,564	28,856
Due from The Salvation Army	17,597	8,221
Due from Brandon Regional Health Authority	-	32,186
Prepaid expenses	29,893	33,128
	260,915	231,853
Due from Manitoba Health - employee future benefits - note 2	390,021	390,021
Property, plant and equipment - notes 2 & 5	2,307,453	2,438,820
	$ 2,958,389	$3,060,694

The accompanying notes are an integral part of these financial statements.

STATEMENT 1

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

	2007	2006
LIABILITIES		
Current		
Accounts payable	$ 79,648	$ 82,367
Accrued liabilities	7,106	8,563
Government agencies payable	31,438	33,096
Resident trust accounts payable	6,331	7,727
Due to Brandon Regional Health Authority - note 4	20	-
	124,543	131,753
Accrued employee future benefits - note 2	485,456	455,391
Deferred contributions - note 6		
Expenses of future periods	86,175	77,521
Capital assets	2,216,587	2,351,145
	2,302,762	2,428,666
	2,912,761	3,015,810
Net Assets		
Invested in capital assets - note 7	134,738	135,366
Unrestricted	(89,110)	(90,482)
	45,628	44,884
	$ 2,958,389	$3,060,694

Signed on behalf of the Home:

Executive Director

Director of Business

The accompanying notes are an integral part of these financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME
CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2007

	2007	Budget	2006
Residential income			
Brandon Regional Health Authority - note 8	$ 2,475,887	$ 2,492,564	$ 2,386,429
Residential charges	829,640	855,159	817,842
	3,305,527	3,347,723	3,204,271
Other income			
Non capital interest	3,079	1,800	2,489
Miscellaneous	7,047	5,570	8,585
Meal recoveries	8,645	6,000	7,146
	18,771	13,370	18,220
Amortization of deferred contributions	142,994	-	132,800
Total revenue	3,467,292	3,361,093	3,355,291
Total expenditures - per statement 3	3,479,528	3,370,931	3,413,471
(Deficient) revenue over expenditures for the year	$ (12,236)	$ (9,838)	$ (58,180)

The accompanying notes are an integral part of these financial statements.

STATEMENT 3

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME
CONSOLIDATED STATEMENT OF EXPENDITURES
YEAR ENDED MARCH 31, 2007

	2007	Budget	2006
Salaries			
Activity	77,082	73,933	69,521
Administration	134,128	134,058	133,174
Dietetics	263,415	250,021	245,678
Housekeeping	137,390	139,914	135,765
Inservice director	22,513	20,912	12,709
Laundry	52,962	50,354	50,717
Nursing	1,540,910	1,563,857	1,520,183
Physical plant and equipment	116,219	103,930	112,649
	2,344,619	2,336,979	2,280,396
Employee benefits	428,497	451,088	407,386
Health and education levy	49,414	48,777	47,674
Other supplies and expenses			
Activity	2,619	2,400	2,338
Administration	54,304	63,207	60,548
Housekeeping	18,030	18,000	14,905
Inservice education	2,860	2,700	2,978
Laundry and linen	62,443	62,390	59,493
Nursing	74,752	80,244	64,557
Miscellaneous	2,366		-
Nutritional services	117,433	112,000	114,309
Plant maintenance	35,709	46,355	45,817
	370,516	387,296	364,945
Capital costs			
Major repairs	10,187	-	12,980
Amortization	133,432	-	133,428
	143,619	-	146,408

The accompanying notes are an integral part of these financial statements.

STATEMENT 3

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME
CONSOLIDATED STATEMENT OF EXPENDITURES
YEAR ENDED MARCH 31, 2007

	2007	Budget	2006
Physical plant			
Heat and lights	75,378	73,000	76,968
Insurance	3,549	6,000	4,687
Property taxes	43,644	47,791	64,380
Water and sewer	20,292	20,000	20,627
	142,863	146,791	166,662
Total expenditures	$ 3,479,528	$ 3,370,931	$ 3,413,471

The accompanying notes are an integral part of these financial statements.

THE SALVATION ARMY DINSDALE PERSONAL CARE HOME
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2007

	Invested in property, plant and equipment	Unrestricted	Total 2007	Total 2006
Balance, beginning of year	$ 135,366	$ (90,482)	$ 44,884	$ 100,679
Adjust for prior period error- note 10	-	12,980	12,980	-
Balance , beginning of year as restated	-	(77,502)	57,864	-
(Deficient) revenue over expenditures	(628)	(11,608)	(12,236)	(58,180)
Unreconciled amount	-	-	-	2,385
Balance, end of year	$ 134,738	$ (89,110)	$ 45,628	$ 44,884

1. PURPOSE OF ORGANIZATION

Licensed under the provisions of the Brandon Regional Heath Authority Inc, The Salvation Army Dinsdale Personal Care Home provides long term care in the community of Brandon. In addition, the organization carries out the charitable, educational, religious and other benevolent objects and purposes of the Salvation Army. The organization is a registered charity under the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of significant accounting policies of the Home:

Basis of Accounting

The accounts are maintained on the accrual method of reporting income and expenses

Revenue Recognition

The Salvation Army Dinsdale Personal Care Home follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Prepaid Supplies

The prepaid supplies are recorded at cost as determined by the first-in, first-out method.

Property, Plant and Equipment and Amortization

Property, plant and equipment are recorded at cost and are being amortized using the straight-line method over the estimated useful life of the assets:

Building	40 years
Equipment and furnishings	5-10 years
Computer equipment	5 years

Operating Fund Surpluses

Approved operating fund surpluses are repayable to the Brandon Regional Health Authority Inc.

Budget Figures

Budget figures are unaudited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of property, plant & equipment. Actual results could differ from these estimates.

Retirement Entitlement Obligation

The Salvation Army Dinsdale Personal Care Home Inc. has a contractual commitment to pay out to employees four days salary per year of service upon retirement subject to meeting certain criteria:

- have ten years service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Salvation Army Dinsdale Personal Care Home Inc. has recorded an accrual based on an actuarial valuation provided by the Brandon Regional Health Authority that includes employees who qualify at the year end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above.

Due from Manitoba Health - employee future benefits

Funding for vacation entitlement and pre-retirement obligations is provided by Manitoba Health as part of its regular budget in the period in which the expenditures are made. The cost of the estimated accrued vacation pay and pre-retirement obligations at March 31, 2004 was recorded on the statement of financial position as a receivable from Manitoba Health. Effective April 1, 2004 Dinsdale Personal Care Home Inc. is responsible for any changes to the vacation and pre-retirement.

Statement of Cash Flows

A statement of cash flows has not been provided as it would not provide any further information to the users of the financial statements.

3. FINANCIAL INSTRUMENTS

The association's financial instruments consist of cash, resident trust deposits, accounts receivable, due from The Salvation Army, due from Manitoba Health, accounts payable, accrued liabilities, resident trust accounts payable, and due from Brandon Regional Health Authority. Unless otherwise noted, it is management's opinion that the association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

4. DUE (TO) FROM BRANDON REGIONAL HEALTH AUTHORITY

	2007	2006
Committment for capitation fee	$ 1,980	$ 21,982
Funding overpayment	(2,000)	-
2004/2005 out-of-globe estimated adjustments	-	10,204
	$ (20)	$ 32,186

5. PROPERTY, PLANT AND EQUIPMENT

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 115,615	$ -	$ 115,615	$ 115,615
Buildings	4,133,353	1,963,373	2,169,980	2,286,473
Equipment and furnishings	549,736	527,878	21,858	36,730
Computer equipment	9,442	9,442	-	2
	4,808,146	$ 2,500,693	$ 2,307,453	$ 2,438,820

6. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funds for major repairs and equipment replacement.

	2007	2006
Balance - beginning of year	$ 77,521	$ 71,661
Add: funding received in current year	18,840	18,840
Less: major repairs	(10,186)	(12,980)
	8,654	5,860
Balance - end of year	$ 86,175	$ 77,521

6. DEFERRED CONTRIBUTIONS - continued

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance - beginning of year	$ 2,351,145	$ 2,000,013
Add: contributions allocated	108,999	555,957
Add: interest income	4,940	466
Add: equipment sale proceeds	86	-
Less: mortgage/loan repayments	(115,775)	(85,471)
Less: amounts amortized to revenue	(132,808)	(119,820)
	(134,558)	351,132
Balance - end of year	$ 2,216,587	$ 2,351,145

During the 2005 fiscal year, the Province of Manitoba assumed the third party debt of the Salvation Army Dinsdale Personal Care Home Inc. and was recognized as borrowings in the Public Accounts of the province of Manitoba. Accordingly, the Salvation Army Dinsdale Personal Care Home Inc. as reclassified the long term debt as deferred contributions in its financial statements. The following long term debt related to third parties is included in deferred contributions:

	2007	2006
Canada Mortgage and Housing Corporation	$ 1,958,425	$ 2,049,377

7. INVESTMENT IN CAPITAL ASSETS

	2007	2006
Capital assets	$ 2,307,453	$ 2,438,820
Amounts financed by:		
Deferred contributions	(205,453)	(245,241)
Long term debt	(1,958,425)	(2,049,376)
Contributed services	(8,837)	(8,837)
	$ 134,738	$ 135,366

8. REVENUE - BRANDON REGIONAL HEALTH AUTHORITY

	2007	2006
Per funding document	$ 2,637,888	$ 2,515,507
Equipment allocation	(18,047)	(18,047)
Principal funding	(90,950)	(85,471)
Reserve for major repairs funding	(18,840)	(18,840)
Capital interest funding	(34,164)	(38,906)
	2,475,887	2,354,243
Additional wage funding	-	32,186
	$ 2,475,887	$ 2,386,429

9. COMMITMENTS AND CONTINGENCIES

Pre-retirement entitlement costs are deferred and charged to expense as the employees are paid the accumulated pre-retirement leave. Pre-retirement costs are contingent on retirement and eligibility. At March 31, 2007, the projected liability was $273,636. (2006 - $255,884)

10. PRIOR PERIOD ERROR

Funding received and spent for major repairs in the prior year was not recognized as income. As such, amortization of deferred contributions was understated by $12,980. Therefore, the prior year's deficit was overstated by $12,980.

Auditors' Report

To the Members of
Westman Regional Laboratory

We have audited the statement of financial position of **Westman Regional Laboratory** as at March 31, 2007 and the statements of operations and surplus for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Brandon, Manitoba
June 8, 2007

Westman Regional Laboratory
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Accounts receivable	$ **61,019**	$ 59,361
Prepaid expenses	**118,493**	98,778
Manitoba Health Receivable	**3,687,320**	2,699,720
Due from Brandon Regional Health Authority	**-**	419,048
	3,866,832	3,276,907
Capital assets (Note 1)	**1,041,505**	1,395,310
Deferred charges future employee benefits	**1,225,453**	1,225,453
	$ **6,133,790**	$ 5,897,670
Liabilities and Surplus		
Current Liabilities		
Bank indebtedness	$ **2,574,724**	$ 2,985,178
Accounts payable	**590,531**	404,613
Due to Brandon Regional Health Authority	**821,220**	-
	3,986,475	3,389,791
Deferred contributions - capital assets (Note 3)	**488,066**	880,406
Accrued future employee benefits	**1,666,140**	1,634,364
	6,140,681	5,904,561
Surplus		
Deficit	**(6,891)**	(6,891)
	$ **6,133,790**	$ 5,897,670

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Statement of Surplus

For the year ended March 31		2007		2006
Deficit, beginning of year	$	**(6,891)**	$	(6,891)
Net loss for the year		**(1,472,069)**		(1,348,550)
		(1,478,960)		(1,355,441)
Deficit recoverable from Manitoba Health		**1,472,069**		1,348,550
Deficit, end of year	$	**(6,891)**	$	(6,891)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Manitoba Health	$ 12,262,939	$ 11,567,334
Amortization of deferred revenue	444,859	490,605
	12,707,798	12,057,939
Non-resident out-patient	108,600	141,897
Miscellaneous	3,302	8,189
	12,819,700	12,208,025
Expenses		
Advertising	706	325
Amortization	444,859	490,605
Insurance	12,397	12,397
Interest	135,533	110,786
Laboratory and nuclear supplies	2,427,565	1,672,565
Medical remuneration	2,406,497	2,037,303
Membership dues and subscriptions	2,263	2,160
Other supplies	104,381	731,313
Physical plant		
- Insurance and taxes	18,221	5,824
- Repairs and maintenance	53,814	4,346
- Utilities	244,053	250,662
Pickup and delivery	340,537	347,257
Printing, postage and stationary	74,765	155,332
Professional fees	15,897	4,590
Purchased services	274,205	274,205
Rent	22,400	21,470
Salaries and benefits	7,250,660	6,915,856
Service contracts	325,185	290,274
System support	72,763	90,276
Telephone	34,419	31,336
Travel	30,649	107,693
	14,291,769	13,556,575
Deficit for the year	$ (1,472,069)	$ (1,348,550)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2007

Nature of Business

The organization is a non-profit entity, providing health services to Brandon and surrounding communities. Therefore any surplus that it generates is non-taxable. Effective December 1, 2005 the management of Westman Regional Laboratory Inc. was transferred to Diagnostic Services of Manitoba (DSM).

Capital Assets

Capital assets are recorded at cost.

Amortization is provided for on a straight-line basis in accordance with the following rates:

Building - 2.5 %
Computer equipment - 20 %
Equipment - 10 %

Compensated Absences

Compensation expense is accrued for all employees as an entitlement to these payments earned, in accordance with the benefit plans for vacation in effect for Westman Regional Laboratory Services Inc.

Deferred Contributions - Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

During the 2005 fiscal year, the Province of Manitoba assumed the long-term debt and third party debt of Westman Regional Laboratory and was recognized as borrowings in the Public Acocunts of the Province of Manitoba.

Accordingly, the Westman Regional Laboratory has reclassified the long term debt and short term financing as deferred contributions in its financial statements.

Deferred Charges - Future Employee Benefits

A provision for future employee benefits including accrued vacation entitlements and accrued retirement obligations is recorded. Funding for the future employee benefits as at March 31, 2005 is recoverable from Manitoba Health and as such has been set up as a receivable. Effective April 1, 2005, any increase in the entitlement is the responsibility of Westman Regional Laboratory.

Surplus and Deficits

Approved surpluses are repayable to Manitoba Health; approved deficits are recoverable from Manitoba Health.

Westman Regional Laboratory
Summary of Significant Accounting Policies

March 31, 2007

Revenue Recognition

This organization receives the majority of its revenue from the Province of Manitoba. Revenue is recognized in the year in which the related operating expenditures are incurred. Revenue for capital assets is recognized in the amount of the amortization expense incurred during the year.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The organization's financial instruments consist of accounts receivable, bank indebtedness, accounts payable and amounts due to (from) related parties. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

1. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Building	**$ 1,254,408**	**$ 1,061,649**	$ 1,254,408	$ 1,030,289
Equipment	**8,197,629**	**7,896,269**	8,106,574	7,783,757
Computer equipment	**1,567,759**	**1,020,373**	1,567,759	719,385
	$ 11,019,796	**$ 9,978,291**	$ 10,928,741	$ 9,533,431
Net book value		**$ 1,041,505**		$ 1,395,310

2. Related Party Transactions

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent value for sales of product.

The entity paid expenses to the Brandon Regional Health Authority, which controls Westman Regional Laboratory, in the following amounts:

	2007	2006
Purchased services	**$ 300,845**	$ 267,155
Physical plant - utilities	**18,438**	18,438
	$ 319,283	$ 285,593

3. Deferred Contributions - Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 880,406	$ 1,034,709
Add: Contributions receivable	52,521	336,302
Less: Amount amortized in the year	(444,859)	(490,605)
Balance, end of year	$ 488,068	$ 880,406

During contributions consist of the following:

	2007	2006
Amortization of capital assets in excess of contributions	$ (927,094)	$ (625,754)
Short term financing	640,853	685,854
Long-term debt	774,309	820,306
	$ 488,068	$ 880,406

4. Statement of Cash Flows

A Statement of Cash Flows has not been provided as it would not provide any further information to the users of the financial statements.

5. Economic Dependence

The Westman Regional Laboratory Services Inc. is economically dependent on the Province of Manitoba for Funding.

KENDALL WALL PANDYA
Chartered Accountants
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Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Board of Directors of the
BURNTWOOD REGIONAL HEALTH AUTHORITY INC:

We have audited the statement of financial position of BURNTWOOD REGIONAL HEALTH AUTHORITY INC. as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya
Chartered Accountants.

Thompson, Manitoba
May 27, 2007

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

STATEMENT OF FINANCIAL POSITION

	2007	2006
ASSETS		
CURRENT ASSETS		
Accounts receivable (Note 1)	**$ 2,765,071**	$ 1,938,431
Inventories	**513,144**	519,347
Prepaid expenses	**256,595**	67,764
Vacation entitlements receivable – Manitoba Health	**2,589,257**	2,589,257
Due from Manitoba Health (Note 2)	**5,043,012**	1,337,431
	$11,167,079	$ 6,452,230
Pre-retirement receivable-Manitoba Health	**1,555,430**	1,555,430
Capital assets (Note 3)	**42,448,935**	34,733,802
Restricted cash		
Thompson Personal Care Home Construction Donations	**131,501**	434,116
	$ 55,302,945	$43,175,578
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Bank indebtedness (Note 4)	**$ 3,412,027**	$ 2,035,493
Manitoba Health cash advance	**3,000,000**	-
Accounts payable	**3,426,188**	3,420,629
Deferred revenue (Note 5)	**1,169,193**	1,087,844
Line of credit (Note 6)	**2,975,181**	2,700,092
Current portion of capital lease obligations (Note 7)	**139,186**	130,246
Vacation entitlements payable	**2,562,534**	2,746,149
	16,684,309	12,120,453
Accrued pre-retirement obligation (Note 12)	**1,665,125**	1,625,594
Capital lease obligations (Note 7)	**839,896**	979,082
Deferred contributions (Note 8)		
Expenses of future periods	**252,405**	547,144
Capital assets	**32,575,279**	24,465,934
	$ 35,332,705	$ 27,617,754
Contingencies (Note 13)		
NET ASSETS		
Net assets invested in capital assets (Note 9)	**5,919,393**	6,458,448
Net assets internally restricted	**196,375**	196,375
Unrestricted net assets	**(2,829,837)**	(3,217,452)
	3,285,931	3,437,371
	$ 55,302,945	$ 43,175,578

APPROVED BY THE BOARD: ____________________ ____________________

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

STATEMENT OF CHANGES IN NET ASSETS

	Net Assets Invested in Capital Assets (Note 9)	Restricted Donations	Unrestricted	2007	2006
Balance, beginning of year	**$ 6,458,448**	**$ 196,375**	**$(3,217,452)**	**$ 3,437,371**	$ 3,524,431
Excess (Deficiency) of revenue over expenses for the year	**(130,246)**	**-**	**(21,194)**	**(151,440)**	(87,060)
Investment in capital assets (Note 9)	**(408,809)**	**-**	**408,809**	**-**	-
Balance, end of year	**$ 5,919,393**	**$ 196,375**	**$(2,829,837)**	**$ 3,285,931**	$ 3,437,371

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

STATEMENT OF OPERATIONS

	2007	2006
REVENUE		
Amortization of deferred contributions	$ 1,629,897	$ 1,050,573
Ancillary programs	733,660	747,760
Manitoba Health (Note 10)	58,044,402	53,043,911
Northern patient transportation program recoveries	1,234,531	1,333,431
Other	1,522,123	1,069,441
Patient	460,818	341,752
	$ 63,625,431	$ 57,586,868
EXPENSES		
Acute care services	$ 26,402,888	$ 24,446,851
Amortization of capital assets	1,760,143	1,526,995
Ancillary operations	733,660	747,760
Community based – health services	6,074,990	5,461,616
Community based – home care	1,184,471	1,310,509
Community based – mental health	481,213	484,152
Land ambulance	227,928	227,928
Medical remuneration	15,533,416	13,944,578
Northern patient transportation program	5,587,709	5,210,183
Regional health authority	4,430,753	4,283,356
Support to seniors	30,000	30,000
Personal Care Home	1,329,700	-
	$ 63,776,871	$ 57,673,928
Excess of revenue over expenses for the year	$ (151,440)	$ (87,060)

See accompanying notes.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

STATEMENT OF CASH FLOWS

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenue over expenses	$ (151,440)	$ (87,060)
Adjustments for		
Amortization of capital assets	1,760,143	1,526,995
Amortization of deferred contributions	(1,629,897)	(1,050,573)
	$ (21,194)	$ 389,362
CHANGES IN NON-CASH WORKING CAPITAL BALANCES		
Accounts receivable	(826,640)	(578,416)
Due to Manitoba Health	(3,705,581)	(1,432,800)
Pre-retirement Payable	-	(8,718)
Inventories	6,203	(14,384)
Prepaid expenses	(188,831)	100,245
Accounts payable	5,559	267,966
Vacation entitlements payable	(144,084)	(158,108)
Deferred revenue	81,349	(349,943)
Cash advance- Manitoba Health	3,000,000	-
	$(1,772,025)	$(2,174,158)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	$(9,475,275)	$(4,497,725)
Payments of capital lease obligation	(130,246)	(121,881)
Receipt of deferred contributions related to capital assets	9,739,241	2,256,887
Receipt of deferred contributions related to expenses of future periods	(294,739)	36,922
Advances on line of credit	275,089	2,181,050
	$ 114,070	$ (144,747)
Increase in cash and cash equivalents during the year	(1,679,149)	(1,929,543)
Cash and cash equivalents, beginning of year	(1,601,377)	328,166
Cash and cash equivalents, end of year	$ (3,280,526)	$(1,601,377)
Represented by:		
Bank indebtedness	$(3,412,027)	$(2,035,493)
Restricted cash	131,501	434,116
	$(3,280,526)	$(1,601,377)

See accompanying notes.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature and Purpose of Organization

Burntwood Regional Health Authority Inc. is a not for profit organization incorporated without share capital under the laws of Manitoba. The Authority is involved in the provision of health care services to persons resident in the Burntwood Region. The Authority is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

Basis of Accounting

These financial statements were prepared using Canadian generally accepted accounting principles and the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates

Basis of Reporting

These financial statements include the accounts of the following controlled not-for-profit organizations of the Authority:

Community Health Resources Centre
Community Health Services
Gillam Hospital
Ilford Community Health Centre
Leaf Rapids Health Centre
Lynn Lake Hospital
Northern Consultation Centre
Pikwitonei Community Health Centre
Thicket Portage Community Health Centre
Thompson General Hospital
Wabowden Community Health Centre
Northern Spirit Manor

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition

The Authority follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transportation. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid to Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purpose of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Contributed Materials and Services

Contributed materials and services, which are used in the normal course of the organization's operations and would otherwise have been purchased are recorded at their fair value at the date of contribution if fair value can be reasonably estimated.

Financial Instruments

The Authority's financial instruments consists of cash, accounts receivable, grants receivable, temporary investments, bank indebtedness, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Inventories

Inventories are stated at the lower of cost and replacement cost. Cost is generally determined on a moving average basis.

Capital Assets

Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Building	40 years straight-line basis
Computers	4 years straight-line basis
Equipment	10 years straight-line basis

The Regional Health Authority did not take ownership of the Northern Spirit Manor until December 2006. Therefore, only a half years amortization has been taken for the March 31, 2007 year end.

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vacation Entitlements Receivable – Manitoba Health

An offsetting receivable from Manitoba Health equal to the liability balance outstanding as at March 31, 2004 has been recorded.

Pre - Retirement Obligation

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

Net Assets Internally Restricted

Part of the net assets of the Authority have been restricted as approved by the Board of Directors or in accordance with specific directives. Transfers among net asset classes are recorded when approved by the Board of Directors.

1. Accounts Receivable

	2007	2006
Patients Receivable	**$ 334,355**	$ 199,949
Other	**738,122**	459,632
Goods and Services Tax	**191,392**	163,884
Northern Patient Transportation Program	**1,830,356**	1,370,279
Allowance for Doubtful Accounts	**(329,154)**	(255,313)
	$ 2,765,071	$1,938,431

2. Due (to) from Manitoba Health

2003-04 Medical Renumeration	**$ (347,590)**	(347,590)
2004-05 Medical Renumeration	**181,836**	181,836
2005-06 Medical Remuneration	**1,237,015**	1,237,015
2005-06 MAHCP Market Stabilization	**61,211**	265,616
2005-06 Interest & Adjustments	**-**	554
2006-07 Immunization Funding	**54,002**	-
2006-07 Ultra Sound Funding	**11,225**	-
2006-07 Midwifery Funding	**84,605**	-
2006-07 MMA Arbitration Funding	**23,500**	-
2006-07 PCH Funding	**1,408,061**	-
2006-07 MAHCP Market Stabilization	**155,272**	-
2006-07 Medical Renumeration	**2,180,119**	-
2006-07 Waitlist Funding	**51,950**	-
2006-07 Interest on Approved Borrowing	**(58,194)**	-
	$ 5,043,012	$1,337,431

3. Capital Assets

	Cost	Accumulated Amortization	**2007 Net Book Value**	Cost	Accumulated Amortization	2006 Net Book Value
Land	$ 13,694	$ -	**$ 13,694**	$ 13,694	$ -	$ 13,694
Buildings	44,658,520	10,219,317	**34,439,203**	36,576,564	9,274,660	27,301,904
Computers	904,357	884,587	**19,770**	904,357	861,265	43,092
Equipment	18,058,292	13,368,986	**4,689,306**	16,051,791	12,576,822	3,474,969
Construction in Progress	3,286,962	-	**3,286,962**	3,900,143	-	3,900,143
	$66,921,825	$24,472,890	**$42,448,935**	$57,446,549	$22,712,747	$34,733,802

Included in capital asset additions during the year is interest of $237,803 which has been capitalized.

4. Bank Indebtedness

The Burntwood Regional Health Authority Inc. has an authorized operating line of credit of $2.6 million bearing interest at the bank's prime rate minus ½%. Security provided on this line of credit includes an overdraft borrowing agreement and a Letter of Comfort from Manitoba Health.

5. Deferred Revenue

Deferred revenue consists of Manitoba Health funding received in the fiscal year for various programs. This allocation of funding is recognized as revenue when program expenses are incurred. The change in the deferred revenue balance for the year is as follows:

	2007	2006
Balance, beginning of year	**$1,087,844**	$1,437,787
Amount recognized as revenue in the current year	**(836,716)**	(1,157,982)
Funding received	**918,065**	808,039
Balance, end of year	**$1,169,193**	$1,087,844

6. Line of Credit

	2007	2006
Demand operating line of credit payable to the Royal Bank of Canada bearing interest at prime minus 0.65% to a maximum of $7,381,000.	**$2,975,181**	$2,700,092

The Royal Bank line of credit is secured by a Letter of Comfort from Manitoba Health.

7. Capital Lease Obligation

	2007	2006
The obligation under the capital lease is at an interest rate of 2% above prime adjusted semi-annually. The lease which is under flexible repayment terms is currently being repaid over 15 years with monthly payments of $16,681 (principal and interest)	**$ 979,082**	$1,109,328
Amount due within one year included in current liabilities	**139,186**	130,246
	$ 839,896	$ 979,082

The obligation under capital leases is secured by certain plant and office equipment.

The future minimum lease payments for the next 5 years are as follows:

2008	$139,186
2009	$148,740
2010	$158,949
2011	$169,859
2012	$181,518

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs and construction projects.

	2007	2006
Balance, beginning of year	**$ 547,144**	$510,222
Add amount received during year	**26,974**	36,922
Deduct: transfer re: community contribution to Personal Care Home	**(321,713)**	-
Balance, end of year	**$ 252,405**	$547,144

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or funding received.

	2007	2006
Balance, beginning of year	**$ 24,465,934**	$ 23,259,620
Additional contributions received	**9,739,242**	2,256,887
Less amounts amortized to revenue	**(1,629,897)**	(1,050,573)
Balance, end of year	**$ 32,575,279**	$24,465,934

9. Net Assets Invested in Capital Assets

a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	**$42,448,935**	$34,733,802
Amount financed by:		
Deferred contributions	**32,575,279**	24,465,934
Lines of credit	**2,975,181**	2,700,092
Capital leases	**979,082**	1,109,328
	$ 5,919,393	$ 6,458,448

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess (Deficiency) of revenue over expenses for the year		
Amortization of deferred contributions related to capital assets	**$ 1,629,897**	$ 1,050,573
Amortization of capital assets	**1,760,143**	1,526,995
	$ (130,246)	$ (476,422)
Net changes in investment in capital assets		
Purchase of capital assets	**$9,475,275**	$4,497,725
Payment of capital lease obligation	**130,246**	121,881
Advances on line of credit	**(275,089)**	(2,181,050)
Manitoba Health – Capital asset funding	**(9,272,993)**	(1,902,962)
Manitoba Health deferred asset funding	**(466,248)**	(353,925)
	(408,809)	181,669
	$ (539,055)	$ (294,753)

10. **Revenue from Manitoba Health**	2007	2006
Revenue as per Manitoba Health funding document	**$ 54.737,497**	$ 52,141,367
Add: 2006 – 2007 Waitlist funding	**51,950**	-
Personal Care Home 2006 – 2007 Operating revenue	**1,268,064**	-
Emergency Room Extra funding	**205,937**	-
Wage standardization and market adjustment	**155,272**	265,616
PDN Upgrade – RIS/PACS Project	**9,946**	15,434
Equipment funding	**65,194**	61,864
Medical remuneration	**2,180,119**	1,237,015
Ultra Sound maintenance contract	**11,225**	-
Immunization funding	**52,399**	-
Manitoba Health one time transfer	**584,094**	-
Midwifery funding 2006 - 2007	**84,605**	-
Interest	-	554
Revenue deferred from 04/05	-	315,664
Payment re: Garden Hill	-	9,694
Wabowden Capital operating	-	54,811
	$ 4,668,805	$ 1,960,652
Deduct:		
Nelson House PCH funding – flow through	**$ (327,755)**	$ (294,336)
Interest payable to Manitoba Health	**(58,193)**	-
Interest funding (actual)	**(289,495)**	(127,783)
	$ (675,443)	$ (422,119)
Total funding approved by Manitoba Health	**$ 58,730,859**	$ 53,679,900
Deduct:		
Amounts recorded as deferred contributions	**(686,457)**	(635,989)
Revenue from Manitoba Health	**$ 58,044,402**	$ 53,043,911

BURNTWOOD REGIONAL HEALTH AUTHORITY INC.

YEAR ENDED MARCH 31, 2007

NOTES TO FINANCIAL STATEMENTS

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11. Pension Plans

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2002, and supplementary Notice to Members of September 24, 2003 indicates the current contribution levels are not adequate to fund the cost of benefits. Effective July 1, 2007, the contribution rates increased by 1.4% for each of the employer and employee. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $1,289,339 (2006 – $1,129,340) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba liability related to the Civil Service Superannuation Plan. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

12. Pre-retirement Obligations

	2007	2006
Members of the Health Employees Pension Plan	**$ 1,485,075**	$ 1,425,114
Members of the Civil Service Superannuation Plan	**180,050**	200,480
	$ 1,665,125	$ 1,625,594

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- have ten year service and have reached the age of 55 or
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or
- retire at or after age 65 or
- terminate employment at any time due to permanent disability

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Civil Service Superannuation Plan is to pay out, at retirement to employees who have reached the age of 55 and have nine or more years of service, the following severance pay:

- one week of severance pay for each year of service up to 15 years of service
- two weeks of additional severance pay for each increment of five years of service past the 15 years of service up to 35 years of service

The Authority undertook an actuarial valuation of the accrued pre-retirement entitlements as of March 31, 2007. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (2006- 5.00%) and a rate of salary increase of 3.0% (2006 – 3.0%) plus age related merit/promotion scale with no provision for disability.

13. Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007, management believes the Authority has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permits persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums of any experience by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

c) Due to the dismissal of three senior executives during the year, litigation proceedings were on going at the time of the audit report. The likelihood or financial implications if any, are not determinable at the time of this report.

14. Inter Program Charges

Included in the statement of operations are inter program charges which result in a reduction in Regional health authority costs of $202,148, a reduction in community costs of $56,040 and an increase in medical remuneration expenses of $227,688 and an increase in ancillary costs of $30,500.

BDO

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Auditors' Report

To the Board of Directors of
Churchill Regional Health Authority Inc.

We have audited the statement of financial position of Churchill Regional Health Authority Inc. (RHA) as at March 31, 2007, and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the RHA's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the RHA as at March 31, 2007, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Portage la Prairie, Manitoba
May 24, 2007

Churchill Regional Health Authority Inc.
Statement of Financial Position

March 31,		2007		2006
Assets				
Current Assets				
Cash and bank	$	**1,659,065**	$	987,751
Accounts receivable (note 1)		**288,968**		164,009
Due from Manitoba Health (note 2)		**37,596**		48,653
Inventory		**399,287**		358,912
Goods and Services Tax recoverable		**41,429**		26,035
Prepaid expenses		**50,118**		62,188
Accounts receivable - Province of Manitoba (note 3)		**282,239**		282,239
		2,758,702		1,929,787
Capital Assets (note 4)		**4,100,628**		4,182,593
Accounts Receivable - Province of Manitoba (note 3)		**197,540**		197,540
	$	**7,056,870**	$	6,309,920
Liabilities and Deficiency in Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	$	**628,056**	$	602,234
Accounts payable - capital		**122,279**		42,738
Due to Manitoba Health (note 5)		**1,687,954**		1,306,000
Security deposits		**12,067**		12,126
Vacation, overtime and statutory holiday pay payable		**330,897**		347,681
Current portion of capital lease obligations (note 6)		**14,736**		18,761
		2,795,989		2,329,540
Capital Lease Obligations (note 6)		**36,385**		43,798
Pre-retirement Entitlements (note 7)		**207,476**		177,225
Deferred Contributions Related to Capital Assets (note 8)		**4,030,144**		3,936,687
		7,069,994		6,487,250
(Deficiency) Surplus in Net Assets				
Net assets invested in capital assets (note 9)		**19,362**		183,347
Externally restricted -separately funded programs (note 10)		**(105,200)**		(75,608)
Surplus (deficiency) in unrestricted net assets		**72,714**		(285,069)
		(13,124)		(177,330)
Contingencies (note 11)				
	$	**7,056,870**	$	6,309,920

On behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

Churchill Regional Health Authority Inc.
Statement of Operations

For the year ended March 31,	2007	2006
Revenue		
Manitoba Health funded programs		
Hospital	$ 6,910,971	$ 6,767,152
Diagnostic Services	694,080	678,120
Dental Clinic	137,760	137,760
Community Services	916,892	743,892
Northern Patient Transportation Program	992,160	981,528
Land Ambulance	202,800	196,752
Home Care	114,528	113,976
Amortization of deferred contributions (note 8)	415,578	381,650
Offset income	852,699	791,055
	11,237,468	10,791,885
Separately funded programs		
Churchill Child and Family Services	304,149	324,261
Receiving Home	312,528	303,696
Nunavut Services	52,440	52,440
Families 'R' Us, Baby First and Healthy Baby programs	154,063	51,000
	823,180	731,397
Ancillary income, net (schedule)	97,328	104,047
	920,508	835,444
	12,157,976	11,627,329
Expenses		
Manitoba Health funded programs		
Hospital	6,616,637	6,717,998
Diagnostic Services	652,453	664,922
Dental Clinic	114,395	132,672
Community Services	786,424	680,771
Addictions Program	69,897	74,637
Northern Patient Transportation Program	972,932	815,962
Land Ambulance	294,629	245,002
Home Care	79,225	90,120
Amortization	453,404	440,839
Directors' fees and expenses	62,344	65,044
Employee future benefits	30,251	(51,883)
Interest and bank charges	4,588	9,035
Interest on obligations under capital lease	3,299	4,119
	10,140,478	9,889,238
Separately funded programs		
Churchill Child and Family Services	302,768	321,937
Receiving Home	360,235	384,326
Nunavut Services	36,266	35,070
Families 'R' Us, Baby First and Healthy Baby programs	153,503	50,617
	852,772	791,950
	10,993,250	10,681,188
Excess of revenue over expenses before other expense	1,164,726	946,141
Other expense		
Surplus repayable to Manitoba Health (note 5)	(1,000,520)	(723,700)
Excess of revenue over expenses for the year	$ 164,206	$ 222,441

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Cash Flows

For the year ended March 31,	2007	2006
Cash Flows provided by (used in) Operating Activities		
Excess of revenue over expenses for the year	$ 164,206	$ 222,441
Adjustments for		
Amortization of capital assets	453,404	440,839
Amortization of deferred contributions	(415,578)	(381,650)
Accounts receivable - Province of Manitoba	-	65,919
	202,032	347,549
Net change in non-cash operating working capital		
Accounts receivable	(124,959)	(41,831)
Due from Manitoba Health	393,011	719,361
Inventory	(40,375)	(6,303)
Goods and Service Tax recoverable	(15,394)	5,478
Prepaid expenses	12,070	(14,685)
Accounts payable and accrued liabilities	25,822	(372,840)
Security deposits	(59)	275
Vacation, overtime and statutory holiday pay payable	(16,784)	(43,152)
	233,332	246,303
Increase (decrease) in pre-retirement entitlement	30,251	(51,883)
	263,583	194,420
	465,615	541,969
Cash Flows provided by (used in) Investing and Financing Activities		
Purchase of capital assets	(371,439)	(850,587)
Proceeds on disposal of capital assets	-	1,205
Payments on capital lease obligations	(11,438)	(13,370)
Receipt of contributions related to capital assets	509,035	812,051
Increase in accounts payable - capital	79,541	27,388
	205,699	(23,313)
Increase in cash, during the year	671,314	518,656
Cash and bank, beginning of year	987,751	469,095
Cash and bank, end of year	$ 1,659,065	$ 987,751

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Churchill Regional Health Authority Inc.
Statement of Changes in Net Assets

For the year ended March 31,				2007	2006
	Invested in Capital Assets	Separately Funded Programs	Surplus (Deficiency) in Unrestricted Net Assets	Total	Total
Balance, beginning of year	$ 183,347	$ (75,608)	$ (285,069)	$ (177,330)	$ (399,771)
Excess (deficiency) of revenue over expenses for the year	(37,826)	(29,592)	231,624	164,206	222,441
Net asset transfer (note 12)	(126,159)	-	126,159	-	-
Balance, end of year	$ 19,362	$ (105,200)	$ 72,714	$ (13,124)	$ (177,330)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Nature and Purpose of Organization

Churchill Regional Health Authority Inc. (RHA) is a non-profit organization incorporated in 1996 without share capital under the Corporations Act of Manitoba. Churchill RHA Inc. is the regional health authority for the Churchill Health Centre. The RHA provides hospital and social service facilities to Churchill and the surrounding area, including eight communities in the Kiviliq Region.

The RHA is a registered charitable organization under the Income Tax Act and, as such, is exempt from income tax and may issue income tax receipts to donors.

The following accounting policies followed by the Churchill Regional Health Authority Inc. are in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

The RHA follows the deferral method of accounting for contributions, which include donations and Government funding.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from ancillary activities are recorded when the product is sold or when the service is rendered.

Management Estimates

The preparation of financial statements, in accordance with Canadian generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amount of revenues and expenses during the period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which they become known.

Financial Instruments	The RHA's financial instruments consist of cash and bank, accounts receivable, due from (to) Manitoba Health, accounts receivable - Province of Manitoba, accounts payable, accounts payable - capital and capital lease obligations. Unless otherwise noted, it is management's opinion that the RHA is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values.
Inventory	Inventory is stated at the lower of cost, using a first-in, first-out basis of calculation, and net realizable value.
Capital Assets	Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Where fair value cannot be reasonably determined, contributed capital assets are recorded at a nominal amount. Assets acquired under capital leases are amortized over the estimated life of the assets. Capital assets are amortized on a straight-line basis using the following annual rates.

Buildings	2.5 %
Building service equipment	4 - 10 %
Major equipment	6.7 - 20 %
Equipment under capital leases	20 %
Computer equipment	20 %

Separately Funded Programs	Adjustments to prior years, if any, resulting from a final review by the funding agency are reported in the statement of operations in the year the funding agency completes their review.
Accrued Benefit Entitlements	Benefit entitlements, which include vacation pay and pre-retirement leave entitlements are recorded in the year that the services to which they relate are provided.
Retirement Entitlement Obligations	The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

1. Accounts Receivable

	2007	2006
General operating	**$ 214,557**	$ 141,195
Pharmacy	**9,467**	13,914
Separately funded	**44,057**	-
Daycare	**21,042**	9,959
Other	**(155)**	(1,059)
	$ 288,968	$ 164,009

2. Due from Manitoba Health

	2007	2006
Approved capital funding	**$ 37,596**	$ 48,653

3. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations and accrued vacation obligations has been capped at the amount owing as at March 31, 2004 being $479,779 and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the Churchill Regional Health Authority this outstanding receivable which will be repaid when required. Any liability in excess of the March 31, 2004 amount will be reflected as a current year expense on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to the Churchill Regional Health Authority Inc. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

4. Capital Assets

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Buildings	**$ 872,252**	**$ 666,469**	**$ 205,783**	$ 219,977
Building service equipment	**4,461,670**	**1,395,157**	**3,066,513**	3,049,102
Major equipment	**3,718,315**	**2,930,193**	**788,122**	846,486
Equipment under capital lease	**121,427**	**121,427**	**-**	12,143
Computer equipment	**522,987**	**482,777**	**40,210**	54,885
	$ 9,696,651	**$ 5,596,023**	**$ 4,100,628**	$ 4,182,593

5. Due to Manitoba Health

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health. For the year ended March 31, 2007, the RHA recorded $937,500 (2006 - $723,700) as a surplus payable to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

	2007	2006
2004/2005 surplus repayable	**$ -**	$ 582,300
2005/2006 surplus repayable	**750,454**	723,700
2006/2007 surplus repayable	**937,500**	-
	$ 1,687,954	$ 1,306,000

5. Due to Manitoba Health continued

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs, not paid by Manitoba Health, are absorbed by the RHA.

6. Capital Lease Obligations

The following is a schedule of minimum lease payments under capital leases, expiring between February 2007 and November 2011, together with the balance of the obligation under the capital lease.

2008	$ 14,736
2009	10,155
2010	8,643
2011	8,643
2012	16,809
	58,986
Less imputed interest at 5.75%	7,865
	51,121
Less amount due within one year included in current liabilities	14,736
	$ 36,385

7. Pre-retirement Entitlements

a) Accrued Pre-retirement Entitlement

	2007	2006
Members of the Health Employees Pension Plan	**$ 207,476**	$ 177,225

The RHA's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions.

- have ten years service and have reached the age of 55;
- qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
- retire at or after age 65; or
- terminate employment at any time due to permanent disability.

The RHA undertook an actuarial valuation of the accrued pre-retirement entitlements for accounting purposes as at March 31, 2007. The significant actuarial assumptions adopted in measuring the RHA's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (2006 - 5.0%) and a rate of salary increase of 3.0% (2006 - 3.0%) plus age related merit / promotion scale with no provision for disability.

Funding of the retirement obligation is recoverable from Manitoba Health and has been recorded as a receivable. The amount of recoverable and the receivable from Manitoba Health has been capped at the amount of the liability owing as at March 31, 2004 being $197,540. The annual increase in obligation over the balance of the liability as at March 31, 2004 will be recognized as an expense in the statement of operations. The receivable has been recorded on a non-discounted basis.

7. Pre-retirement Entitlements continued

b) Pension Plan

Most of the employees of the RHA are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The cost of the benefit plan is not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirement of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates that the Plan is in a deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Actual contributions to the Plan made during the year by the RHA on behalf of its employees amounted to $251,066 (2006 - $215,655) and are included in the statement of operations.

8. Deferred Contributions Related to Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funding assistance received for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows.

	2007	2006
Balance, beginning of year	**$ 3,936,687**	$ 3,506,286
Add deferred contributions received in the current year	**509,035**	812,051
Less amount amortized to revenue in the year	**(415,578)**	(381,650)
Balance, end of year	**$ 4,030,144**	$ 3,936,687

9. Net Assets Invested in Capital Assets

Net assets invested in capital assets is determined as follows.

	2007	2006
Capital assets	**$ 4,100,628**	$ 4,182,593
Deferred contributions	**(4,030,144)**	(3,936,687)
Obligations under capital lease	**(51,122)**	(62,559)
	$ 19,362	$ 183,347

10. Externally Restricted - Separately Funded Programs

The various surpluses and deficits of the separately funded programs are aggregated and recorded as one figure in the financial statements. They remain designated for the respective separately funded programs.

	2007	2006
Accumulated deficit - Receiving Home	**$ (130,138)**	$ (82,434)
Accumulated deficit - Churchill Child and Family Services	**(22,083)**	(23,463)
Accumulated surplus - Nunavut Services	**35,857**	19,684
Accumulated surplus - Families 'R' Us, Baby First, and Healthy Baby Programs	**8,416**	7,857
Accumulated surplus - Health Promotion	**2,748**	2,748
	$ (105,200)	$ (75,608)

11. Contingencies

The nature of the RHA's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007, management believes the RHA has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims would not have a material effect on the RHA's financial position.

A group of hospitals, including the RHA, have formed the Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to reassessment for losses, if any, experienced by the pool for the years in which they were members, and these losses could be material. No reassessments have been made to March 31, 2007.

12. Net Asset Transfer

The transfer of net assets to the amount invested in capital assets from unrestricted net assets is determined as follows.

	2007	2006
Net book value of disposed capital assets	**$ -**	$ 1,205
Capital asset additions	**(371,439)**	(850,587)
Annual funding for capital assets purchases	**509,035**	812,051
Capital lease debt payments	**(11,437)**	(13,371)
	$ 126,159	$ (50,702)

13. Revenue from Manitoba Health

Revenue as per Manitoba Health's final funding document	$ 10,234,704	
Deduct:		
Capital interest	(69,816)	
Total funding approved by Manitoba Health	10,164,888	
Deduct:		
Amounts recorded as deferred contributions	$ (322,944)	$ 9,841,944

Revenue from Manitoba Health - Statement of Operations

Hospital	$ 6,910,971	
Diagnostic Services	694,080	
Dental Clinic	137,760	
Community Services	916,892	
Northern Patient Transportation Program	992,160	
Land Ambulance	202,800	
Home Care	114,528	
Less - other sources of income	$ (127,247)	$ 9,841,944

Churchill Regional Health Authority Inc.
Schedule of Ancillary Income

For the year ended March 31,		2007		2006
Children's Centre, net (gross $265,216, 2006 - $265,000)	$	**11,350**	$	20,566
Retail pharmacy, net (gross $597,455, 2006 - $559,770)		**80,060**		57,594
Gift shop and vending machine, net (gross $38,672, 2006 - $39,714)		**302**		8,091
Donations, net (gross $2,000)		**843**		-
Non-Manitoba Health funded specialists		**4,773**		17,796
	$	**97,328**	$	104,047

BDO

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Auditors' Report

To the Board of Directors of
INTERLAKE REGIONAL HEALTH AUTHORITY INC.:

We have audited the consolidated statement of financial position of **INTERLAKE REGIONAL HEALTH AUTHORITY INC.** as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 28, 2007

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31	**2007**	2006
Assets		
Current Assets		
Cash and term deposits	**$ 4,861,818**	$ 6,848,676
Accounts receivable	**1,539,397**	1,444,566
Due from Manitoba Health (Note 1)	**1,346,816**	-
Inventories	**809,372**	850,492
Prepaid expense	**735,401**	581,054
Vacation entitlements receivable (Note 2)	**3,688,400**	3,688,400
	12,981,204	13,413,188
Retirement obligations receivable (Note 2)	**4,183,222**	4,183,222
Other assets	**38,240**	39,348
Capital assets (Note 3)	**46,181,128**	46,517,338
	$ 63,383,794	$ 64,153,096

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Financial Position

March 31		**2007**		2006
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued liabilities	**$**	**5,821,435**	$	5,447,259
Accrued vacation entitlements		**4,426,132**		4,476,746
Due to Manitoba Health (Note 1)		**-**		334,118
Current portion of long-term debt (Note 5)		**47,529**		69,189
		10,295,096		10,327,312
Accrued retirement obligations (Note 11)		**5,462,445**		4,958,887
Due to Betel Home Foundation (Note 12)		**117,200**		175,800
Long-term debt (Note 5)		**585,077**		673,098
Deferred Contributions (Note 6)				
Expenses of future periods		**1,575,237**		1,499,679
Capital assets		**42,360,995**		43,211,511
		43,936,232		44,711,190
Commitments and contingencies (Note 9)				
Net Assets				
Investment in capital assets (Note 7)		**3,187,527**		2,563,540
Externally restricted (Note 14)		**741,445**		709,653
Internally restricted (Note 14)		**206,953**		178,731
Unrestricted - RHA		**(1,175,756)**		(70,896)
Unrestricted - Contract Facilities		**27,575**		(74,219)
		2,987,744		3,306,809
	$	**63,383,794**	$	64,153,096

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Province of Manitoba		
Health (Note 8)	$ 83,733,578	$ 78,957,238
Client Non-Insured	5,346,212	5,265,780
Interest	286,767	224,571
Offset and other income	2,691,197	2,649,581
Ancillary income	186,931	184,680
Amortization of deferred contributions	2,612,418	2,256,178
	94,857,103	89,538,028
Expenditures		
Acute care services	26,473,754	24,493,182
Amortization of capital assets	2,651,172	2,294,933
Ancillary operations operating expenditures	114,630	120,535
Chemotherapy	232,781	728,833
Community health	8,215,402	7,779,093
Home based care	10,739,888	10,267,402
Diagnostic services	5,966,201	5,798,269
Dialysis	814,565	758,160
Emergency response and transport	4,298,743	4,073,359
Long-term care services	21,437,682	20,385,757
Mental health services	4,069,404	3,700,873
Medical remuneration	6,944,607	5,768,588
Nurse recruitment and retention	60,599	109,561
Regional undistributed expenditures	2,971,384	3,037,932
Safety and renovations	317,806	455,882
	95,308,618	89,772,359
Deficiency of revenue over expenditures before other item	(451,515)	(234,331)
Other Item		
Retirement obligation funding 2005/2006 (Note 8)	96,905	-
Deficiency of revenue over expenditures for the year	$ (354,610)	$ (234,331)
Allocated as follows:		
Regional services	$ (416,859)	$ (35,143)
Contracted services	62,249	(199,188)
	$ (354,610)	$ (234,331)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31						**2007**	2006
	Investment in Capital Assets (Note 7)	**Externally Restricted (Note 14)**	**Internally Restricted (Note 14)**	**Unrestricted - RHA**	**Unrestricted - Contract Facilities**	**Total**	Total
Balance, beginning of year							
As previously reported	**$ 3,739,452**	**$ 709,653**	**$ 178,731**	**$ (1,246,808)**	**$ (74,219)**	**$ 3,306,809**	$ 3,542,924
Adjustment to deferred contributions (Note 6)	**(1,175,912)**	**-**	**-**	**1,175,912**	**-**	**-**	-
As restated	**2,563,540**	**709,653**	**178,731**	**(70,896)**	**(74,219)**	**3,306,809**	3,542,924
Reallocation of interest earned on donation and externally restricted funds	**-**	**31,792**	**32,222**	**(64,014)**	**-**	**-**	-
Change in externally restricted net assets	**-**	**-**	**(4,000)**	**-**	**-**	**(4,000)**	(1,784)
Funding Adjustment	**-**	**-**	**-**	**-**	**39,545**	**39,545**	-
Excess (deficiency) of revenue over expenditures for the year	**(38,754)**	**-**	**-**	**(378,105)**	**62,249**	**(354,610)**	(234,331)
Net changes in investment in capital assets (Note 7)	**662,741**	**-**	**-**	**(662,741)**	**-**	**-**	-
Balance, end of year	**$ 3,187,527**	**$ 741,445**	**$ 206,953**	**$ (1,175,756)**	**$ 27,575**	**$ 2,987,744**	$ 3,306,809

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Consolidated Statement of Cash Flows

For the year ended March 31	**2007**	2006
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	**$ (354,610)**	$ (234,331)
Adjustments for		
Amortization of capital assets	**2,651,172**	2,294,933
Amortization of deferred contributions related to capital assets	**(2,612,418)**	(2,256,178)
Prior year funding adjustment	**39,545**	-
Deferred contributions - expenses of future periods		
Receipts	**1,702,861**	2,296,149
Expenditures	**(1,627,303)**	(1,903,179)
	(200,753)	197,394
Changes in non-cash working capital		
Accounts receivable	**(94,831)**	(369,104)
Due from (to) Manitoba Health	**(1,680,934)**	775,431
Inventories	**41,120**	(135,347)
Prepaid expense	**(154,347)**	258,604
Accounts payable and accrued liabilities	**374,176**	137,620
Accrued vacation entitlements	**(50,614)**	232,178
	(1,565,430)	899,382
Accrued retirement obligations	**503,558**	382,224
	(1,262,625)	1,479,000
Cash Flows from Investing Activities		
Purchase of capital assets	**(2,314,962)**	(3,448,518)
Other assets	**1,108**	(7,469)
	(2,313,854)	(3,455,987)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(109,681)**	(66,820)
Repayment of funds to Foundations	**(58,600)**	(58,600)
Receipt of deferred contributions related to capital assets	**1,761,902**	2,630,950
Payout of externally restricted net assets	**(4,000)**	(1,784)
	1,589,621	2,503,746
Net increase (decrease) in cash and term deposits	**(1,986,858)**	526,759
Cash and term deposits, beginning of year	**6,848,676**	6,321,917
Cash and term deposits, end of year	**$ 4,861,818**	$ 6,848,676

Supplementary Information		
Interest paid during the year	**$ 22,794**	$ 47,040

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2007

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Entity Definition and Basis of Financial Statements

Interlake Regional Health Authority Inc. was incorporated under the laws of the Province of Manitoba. The Authority commenced providing health care services on April 1, 1997 in the Interlake Region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed.

Two facilities within the region operate under contract arrangements for funding with the Authority. They are Betel Home - Gimli and Betel Home - Selkirk. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

Revenue Recognition (continued)

In Globe Funding is funding approved by Manitoba Health for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response and Transport.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements are recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out-of-Globe funding arrangements are recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

INTERLAKE REGIONAL HEALTH AUTHORITY INC.
Summary of Significant Accounting Policies

March 31, 2007

Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Compensated Absences

Compensation expense is accrued to all employees as entitlement to these payments is earned in accordance with the Authority's benefit plans for vacation and retirement allowances.

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5%
Buildings	3.33% and 5%
Ambulances	20%
Equipment and computers	10% - 20%

Financial Instruments

The Authority's financial instruments consist of cash and term deposits, accounts receivable, accounts payable, amounts due to (from) Manitoba Health, amounts due to related parties and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

1. Due from (to) Manitoba Health

	2007	2006
Interfacility ambulance transfers	$ 167,989	$ -
Selkirk Surgical Program waitlist	668,500	-
CUPE Wage standardization 04-05	-	83,688
CUPE Wage standardization 05-06	-	165,444
Board orientation and education	3,196	-
FTE funding adjustment - Mental Health	-	(72,418)
Hep B Immunization program	114,201	95,143
06/07 MGEU CS market supplement	118,102	-
Physician stabilization initiative	194,050	-
05/06 MGEU EMS market supplement	71,667	-
06/07 MGEU EMS market supplement	71,667	-
05/06 MGEU CS market supplement	49,558	-
Nurse practice Initiatives	-	25,000
Out of Globe 2003/04	(392,644)	(510,818)
Out of Globe 2004/05	32,971	33,012
Out of Globe 2005/06	(235,755)	(353,315)
Out of Globe 2006/07	359,362	-
Safety & Security	97,527	48,125
Selkirk Betel SEIU wage standardization	-	102,021
Speech waitlist program	-	50,000
Supportive Housing - St. Laurent	26,425	-
	$ 1,346,816	$ (334,118)

2. Employee Current and Future Benefits Recoverable from Manitoba Health

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding that will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the Authority this outstanding receivable which will be paid when required. Any liability in excess of the March 31, 2004 amount will be reflected as a current year expense on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to the Authority. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

3. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 178,367**	**$ -**	$ 178,367	$ -
Land improvements	**370,102**	**370,102**	370,102	365,902
Buildings	**59,992,079**	**24,967,240**	57,791,697	23,651,509
Ambulances	**183,621**	**183,621**	272,321	272,321
Equipment	**19,074,658**	**11,673,265**	16,501,917	10,531,941
Equipment - computers	**1,626,363**	**976,449**	1,113,119	786,529
Construction in progress	**2,926,615**	**-**	5,898,017	-
	$ 84,351,805	**$ 38,170,677**	$ 82,125,540	$ 35,608,202
Cost less accumulated amortization		**$ 46,181,128**		$ 46,517,338

4. Bank Indebtedness

The Authority has an approved operating line of credit with the Canadian Imperial Bank of Commerce to a maximum amount of $500,000. The line of credit bears interest at Canadian Imperial Bank of Commerce prime rate less 0.75% and is supported by an authorization letter from Manitoba Health.

5. Long-term Debt

	2007	2006
CMHC mortgage payable, bearing interest at 4.73% per annum, due September 1, 2017 and requiring monthly principal and interest payments of $6,367	$ **632,606**	$ 678,205
Bank loans bearing interest at the prime rate less .75% per annum, repayable at $1,942 per month principal, plus interest, are unsecured and due December 15, 2008	**-**	64,082
	632,606	742,287
Current portion of long-term debt	**47,529**	69,189
	$ **585,077**	$ 673,098

Principal payments due in the next five years and thereafter are as follows:

2008	$ 47,529
2009	50,328
2010	52,709
2011	55,202
2012	57,813
Thereafter	369,025
	$ 632,606

6. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs.

	2007	2006
Balance, beginning of year,		
As previously stated	**$ 2,675,591**	$ 2,282,621
Adjustment to deferred contribution (see below)	**(1,175,912)**	(1,175,912)
As restated	**1,499,679**	1,106,709
Additional amounts received during year	**1,653,693**	2,246,951
Funding for reserve for major repairs	**49,168**	49,198
Less 2006/2007 expenditures	**(1,627,303)**	(1,903,179)
Balance, end of year	**$ 1,575,237**	$ 1,499,679

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2007	2006
Balance, beginning of year,		
As previously stated	**$ 42,035,599**	$ 41,660,828
Adjustment to deferred contribution (see below)	**1,175,912**	1,175,912
As restated	**43,211,511**	42,836,740
Additional contributions received, net	**1,761,902**	2,630,949
Less amounts amortized to revenue	**(2,612,418)**	(2,256,178)
Balance, end of year	**$ 42,360,995**	$ 43,211,511

During the year it was determined that certain amounts previously classified as deferred contributions - expenses of future periods, should more correctly be classified as deferred contributions - capital assets. As a result, the opening balances and comparative figures have been restated with a corresponding adjustment to decrease net assets invested in capital assets and increase unrestricted net assets by a corresponding amount.

7. Investment in Capital Assets

	2007	2006 Restated (Note 6)
a) Investment in capital assets is calculated as follows:		
Capital assets	**$ 46,181,128**	$ 46,517,338
Amounts financed by		
Deferred contributions	**42,360,995**	43,211,511
Long-term debt	**632,606**	742,287
	$ 3,187,527	$ 2,563,540

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Deficiency of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,612,418**	$ 2,256,178
Amortization of capital assets	**(2,651,172)**	(2,294,933)
	$ (38,754)	$ (38,755)
Net changes in investment in capital assets		
Purchase of capital assets	**$ 2,314,962**	$ 3,448,518
Amounts funded by		
Manitoba Health funding	**(1,649,838)**	(2,600,040)
Donations	**(112,064)**	(30,909)
Repayment of long-term debt	**109,681**	66,820
	$ 662,741	$ 884,389

8. Revenue from Manitoba Health

		2007	2006
Revenue from Manitoba Health			
Revenue as per Manitoba Health's final funding document		**$ 81,189,535**	$ 78,346,838
Debt interest allocation		**(436,181)**	(294,661)
Equipment allocation		**(398,328)**	(398,332)
Funds for loans held by the Province of Manitoba		**(686,376)**	(554,898)
Reserve for major repairs funding		**(26,976)**	(26,965)
		79,641,674	77,071,982
Add:	Supportive housing funding	**26,425**	-
	Selkirk Surgical Expansion	**668,500**	-
	Safety and renovations	**317,806**	455,882
	MGEU P/T EMS Market supplement	**143,334**	-
	Wait list - Intensive Care Manager	**83,650**	-
	Baby First and WIN	**858,872**	828,307
	Out-of-globe items and adjustments	**667,474**	(339,920)
	Advanced practice initiative	**-**	157,150
	Interfacility ambulance transfers	**233,478**	-
	Physician stabilization initiative	**194,050**	-
	Nurse recruitment and retention	**60,598**	109,561
	Influenza and Hep B	**186,641**	167,583
	Early years research program	**75,300**	74,992
	Retirement obligation funding 2005/2006	**96,905**	-
	MLSCY program	**-**	769
	Chronic disease prevention	**39,433**	20,000
	Nursing safety and security	**-**	10,129
	ER Physician - Hard to fill Shift Initiative	**23,400**	-
	CUPE wage standardization	**94,477**	213,095
	Healthy schools	**-**	3,101
	MGEU Community support wage standardization	**167,660**	-
	Other	**-**	1,237
	Provincial Data Network	**122,682**	171,615
	Superannuation	**-**	19,649
	Cardiac Care	**7,962**	40,041
	French Language Services	**43,386**	14,765
	Risk Factors Complication Assessments	**13,605**	9,718
	Medical Remuneration - Mental Health Adj 05-06	**-**	(72,418)
	Children's therapy initiative	**21,504**	-
	Speech wait list initiative	**41,667**	-
Total Revenue from Manitoba Health		**$ 83,830,483**	$ 78,957,238
Represented as:			
Operating revenue		**$ 83,733,578**	$ 78,957,238
Other item - Retirement obligation funding 2005/2006		**96,905**	-
		$ 83,830,483	$ 78,957,238

9. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

The Authority's coverage also includes contract facilities as named insured parties.

10. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.6% of salary under $43,700 and 8.2% of salary over $43,700 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the Plan is in deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $2,731,554 (2006 - $2,245,108) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

11. Accrued Retirement Obligations

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2007. The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employees Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or;
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retires at or after age 65 or;
- terminates employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 4.85% (5.0% in 2006) and a rate of salary increase of 3.0% (3.0% in 2006) plus an age related merit/promotion scale with no provision for disability.

12. Due to Betel Home Foundation

The amount payable to Betel Home Foundation - Pathfinders' Benevolent Fund by the contract facilities is non-interest bearing with no specified terms of repayments.

13. Related Parties

The contract facilities, Betel Home - Selkirk, and Betel Home - Gimli, are operated by the Betel Home Foundation. Any fundraising of the Betel Home Foundation is solely for the benefit of the contract facilities.

14. Net Assets - Internal Restrictions and External Restrictions

Internal Restrictions

The Board of Directors has internally restricted $32,222 (2006 - $22,847) of interest earned on donation funds. The cumulative balance of internally restricted net assets is $206,953 (2006 - $178,731). These are Board restricted to community based health promotion projects and recruitment initiatives.

External Restrictions

Net assets subject to externally imposed restrictions represent the former balances of net assets of facilities integrated into the Interlake Regional Health Authority, including accumulated interest. Such net assets are restricted to community contributions and/or for the benefit of the community from which the net assets originated.

KENDALL WALL PANDYA

Chartered Accountants

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Partners.... David Kendall, FCA
Robert Wall, FCA
Manisha Pandya, CA

AUDITOR'S REPORT

To the Chairperson and Board of Directors

We have audited the statement of financial position of Nor-Man Regional Health Authority Inc. as at March 31, 2007 and the Statements of Operations, Net Assets, Deferred Contributions, and Cash Flow for the year then ended. These financial statements are the responsibility of the Health Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Nor-Man Regional Health Authority Inc. as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Kendall Wall Pandya

Chartered Accountants

Flin Flon, MB
June 11, 2007

NOR-MAN REGIONAL HEALTH AUTHORITY INC

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2007

ASSETS

	Notes	2007	2006 (Note 10)
CURRENT ASSETS			
Accounts receivable	2a	$ 1,394,053	$ 1,129,025
Due from Manitoba Health	2b	4,982,851	7,444,537
Inventories		426,684	433,114
Prepaid expenses		136,474	341,527
		6,940,062	9,348,203
DUE FROM MANITOBA HEALTH	2c	2,654,372	2,654,372
CAPITAL ASSETS	5	29,347,068	29,617,001
		$38,941,502	$41,619,576

LIABILITIES

	Notes	2007	2006
CURRENT LIABILITIES			
Bank indebtedness		$ 3,030,221	$ 3,627,051
Accounts payable		3,810,750	3,678,624
Accrued vacation benefit entitlements		3,282,202	3,220,052
Current portion of capital lease		42,757	-
		10,165,930	10,525,727
CAPITAL LEASE	12	244,884	-
ACCRUED PRE-RETIREMENT OBLIGATIONS	6	3,672,336	3,461,718
DEFERRED CONTRIBUTIONS	3		
Expenses of future periods		964,002	1,031,020
Capital assets		28,075,714	28,505,142
NET ASSETS			
Invested in capital assets	4	983,713	1,111,859
Restricted	f	871	1,496
Unrestricted		(5,165,948)	(3,017,386)
		$38,941,502	$41,619,576

COMMITMENTS (Note 11)

Approved by the Board:

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2007

	2007	2006 (Note 10)
REVENUE		
Manitoba Health - Note 7	$58,307,900	$56,883,757
Non-insured income	5,455,168	5,500,064
Other income	3,640,419	3,859,560
Amortization of deferred contributions	3,765,889	2,452,922
Ancillary revenue	1,333,529	1,306,108
	72,502,905	70,002,411
EXPENSES		
Acute care	30,398,924	29,656,297
Long-term care	8,178,432	7,845,987
Medical remuneration	9,881,057	9,443,399
Community based therapy	180,465	437,498
Community services co-ordination	600,114	263,886
Community based mental health	1,190,995	1,285,834
Community based home care	4,416,349	4,300,234
Community based health	3,412,021	3,351,550
Land ambulance	2,024,128	1,932,445
Unallocated Regional health authority costs	3,331,219	3,002,176
Amortization of capital assets	3,891,234	2,581,068
Interest on capital lease	2,801	-
Northern Patient Transportation	4,844,250	4,210,110
Pre - retirement	605,305	755,967
Rosaire House Addictions Centre	657,560	658,824
Ancillary expenses	1,165,384	1,198,074
	74,780,238	70,923,349
DEFICIENCY OF REVENUE OVER EXPENSES	$(2,277,333)	$ (920,938)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2007

	Investment in Capital Assets	Restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	$1,111,859	$ 1,496	$(3,017,386)	$(1,904,031)	$ (983,093)
(Deficit) from operations	(128,146)	(625)	(2,148,562)	(2,277,333)	(920,938)
Balance, end of year	$ 983,713	$ 871	$(5,165,948)	$(4,181,364)	$(1,904,031)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF DEFERRED CONTRIBUTIONS

FOR THE YEAR ENDED MARCH 31, 2007

	EXPENSES OF FUTURE PERIODS				
	Funds in Reserve for Major repairs and improvements	Donations	Grants	Total	Capital Assets
Balance, beginning of year	107,497	$312,386	611,137	1,031,020	28,505,142
Contributions	8,154	-	-	8,154	3,298,598
Transfer of funds from donations for capital assets	-	(166,009)	-	(166,009)	166,009
Donations	-	(6,570)	-	(6,570)	-
Amortization - capital	-	-	-	-	(3,894,035)
Grants	-	-	97,407	97,407	-
Balance, End of year	$ 115,651	$139,807	$708,544	$ 964,002	$28,075,714

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

STATEMENT OF CASH FLOW

AS AT MARCH 31, 2007

	2007	2006 (Note 10)
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenses	$(2,277,333)	$ (920,938)
Items not affecting cash		
Amortization of capital assets	3,891,234	2,581,068
Amortization of deferred contributions	(3,765,889)	(2,452,922)
Change in non-cash working capital	2,602,415	(2,468,910)
Change in pre-retirement liability	210,618	443,213
	661,045	(2,818,489)
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	(893,030)	(1,069,381)
Construction in progress expenditures	(2,568,773)	(2,335,478)
Receipt of contributions relating to capital assets	3,464,607	3,200,178
Receipt of contributions relating to expenses of future periods	(67,019)	184,360
	(64,215)	(20,321)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	596,830	(2,838,810)
CASH (BANK INDEBTEDNESS), beginning of year	(3,627,051)	(788,241)
CASH (BANK INDEBTEDNESS), end of year	$(3,030,221)	$(3,627,051)

See accompanying notes.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

YEAR ENDED MARCH 31, 2007

NATURE AND PURPOSE OF THE ORGANIZATION

NOR-MAN Regional Healthy Authority Inc. (the "Authority") is a corporation without share capital continued under The Regional Health Authorities and Consequential Amendments Act, Statues of Manitoba 1996 c.53. The Authority operates health care programs and services in a geographic region that extends from Grand Rapids/Grand Rapids First Nation in the southeast to Flin Flon in the northwest. Pukatawagan is also part of the Region. The Authority delivers its services through hospitals and other health care facilities. Hospitals are located in Flin Flon, The Pas, and Snow Lake. The Authority is a registered charity under the Income Tax Act and accordingly, is exempt from income taxes, provided some requirements of the Income Tax Act are met.

ASSUMPTION OF RESPONSIBILITY FOR FACILITIES AND OPERATING AUTHORITY

Pursuant to certain terms and conditions under various transfer agreements, the Authority took over management of facilities consisting of land and buildings together with equipment, other assets, liabilities and general operating authority as of April 1, 1997 from the following previously independently operating boards:

- The Board of Directors of the Flin Flon General Hospital, Flin Flon Personal Care Corporation and Northern Lights Manor
- The Board of Directors of The Pas Health Complex
- The Board of Directors of the Snow Lake Medical Nursing Unit
- Manitoba Health (Community Services)

BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles using the accrual basis of accounting and reflect the following policies:

(a) CONTRIBUTED SERVICES

Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(b) INVENTORY

Medical, drugs and other supplies are valued at the lower of average invoice cost and net realizable value.

(c) PRE-RETIREMENT ENTITLEMENT OBLIGATIONS

The Authority applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants Handbook.

(d) REVENUE RECOGNITION

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved, but not received, at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Externally restricted donations are recognized as direct increases in deferred contributions. Restricted investment income is recognized as revenue in the year in which related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

(e) CAPITAL ASSETS

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Improvements and betterments which extend the estimated useful life of an asset are capitalized. When a capital asset has diminished its usefulness in providing the service, its carrying amount is written down to its residual value.

The Authority has adopted the policy of amortizing its capital assets on a straight-line basis using the following annual rates:

Land improvements	2.5%
Buildings	2.5%
Equipment	10.0%
Computer equipment	20.0%

No amortization is provided for construction in progress until the project is complete or until the principal retirement of related debt commences.

(f) EXTERNAL RESTRICTIONS

Net assets are restricted for endowment purposes, and are subject to externally imposed restrictions that the assets be maintained permanently in the St. Paul Residents Trust Fund. Investment income from this fund is restricted for residents expenses.

(g) REVENUE FROM MANITOBA HEALTH

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

(h) FINANCIAL INSTRUMENTS

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authoritys accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the sites that it funds, minimizing credit risk.

Interest rate risk

Interest rate risk arises from fluctuations in short term interest rates and their volatility. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

(h) FINANCIAL INSTRUMENTS (continued)

Fair value

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of accounts receivable and certain amounts recoverable from Manitoba Health. Short-term financial liabilities are comprised of bank indebtedness, accounts payable and accrued vacation benefit entitlements.

The fair value of the long term asset due from Manitoba Health and the long term liability accrued pre-retirement obligations could not be determined because there are not specific terms of repayment.

(i) RECENT ACCOUNTING PRONOUNCEMENTS

The Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to presentation and disclosure standards, for financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments-Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments-Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain unrealized gains and losses, such as those related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Section 3251 *Equity* establishes standards for the presentation of equity and changes in equity, including changes arising from those items recorded in comprehensive income. There are numerous consequential amendments made to other Sections. Because transitional provisions are complex, and vary based on the type of financial instruments, the Authority has not yet determined the effect of these new standards on its financial statements.

(j) USE OF ESTIMATES/MEASUREMENT UNCERTAINTY

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

NOR-MAN REGIONAL HEALTH AUTHORITY INC.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED MARCH 31, 2007

1. ECONOMIC DEPENDENCE

The Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Ministry of Health.

2. ACCOUNTS RECEIVABLE/DUE FROM MANITOBA HEALTH

		2007	2006
(a)	Accounts Receivable		
	Ambulance	$ 831,498	$ 667,997
	Residents	419,933	201,215
	Employees computer loans	89,305	59,965
	Government of Canada	78,456	197,120
	Other government agencies	53,848	44,221
	Sundry	1,646	3,642
		1,474,686	1,174,160
	Less allowance for doubtful accounts	(80,633)	(45,135)
		$1,394,053	$1,129,025
(b)	Due from Manitoba Health		
	Out of Globe - 2004	$ -	$1,287,999
	Out of Globe - 2005	-	1,107,619
	Out of Globe - 2006	2,399,347	2,830,043
	Out of Globe - 2007	2,005,033	-
	Recovery from Saskatchewan		
	payable to Manitoba - 2005	(891,946)	(891,946)
	payable to Manitoba - 2007	(1,500,000)	-
	Ancillary Programs	69,753	55,217
	Approved capital funding	60,730	215,671
	Vacation benefit entitlements	2,839,934	2,839,934
		$4,982,851	$7,444,537
(c)	Due from Manitoba Health		
	Pre-retirement obligation entitlements	$2,654,372	$2,654,372

3. DEFERRED CONTRIBUTIONS

(a) Expenses of future periods

(i) Funds in reserve for major repairs and improvements

Deferred contributions related to funds in reserve for major repairs and improvements represent unspent externally restricted funds from the Province for major repairs and improvements to buildings.

(ii) Donations

Deferred contributions related to donations represent externally restricted unspent amounts of donations for various purposes.

(iii) Grants

Deferred contributions related to grants represent externally restricted unspent amounts of grants for various programs.

(b) Related to capital assets

Deferred capital contributions represent the unamortized amounts of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

4. NET ASSETS INVESTED IN CAPITAL ASSETS

Net assets invested in capital assets are calculated as follows:

	2007	2006
Capital assets	$ 29,347,068	$ 29,617,001
Amounts financed by:		
Deferred contributions	(28,075,714)	(28,505,142)
Long-term debt	(287,641)	0
	$ 983,713	$ 1,111,859

5. CAPITAL ASSETS

2007	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 279,715	$ 319,345
Buildings	39,434,133	17,212,192	22,221,941
Computer equipment	1,685,229	1,200,510	484,719
Equipment	7,551,996	3,683,346	3,868,650
Construction in Progress	2,452,413	0	2,452,413
	$51,722,831	$22,375,763	$29,347,068

2006	Cost	Accumulated Amortization	Net Book Value
Land and land improvements	$ 599,060	$ 271,675	$ 327,385
Buildings	36,440,206	14,550,800	21,889,406
Computer equipment	1,732,202	1,129,941	602,261
Equipment	7,065,983	3,378,512	3,687,471
Construction in Progress	3,110,478	0	3,110,478
	$48,947,929	$19,330,928	$29,617,001

6. ACCRUED PRE-RETIREMENT OBLIGATIONS

	2007	2006
Members of the Health Employees Pension Plan and Civil Service Superannuation Plan	$3,672,336	$3,461,718

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for members of the Healthcare Employees Pension Plan and the Civil Service Superannuation Plan is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

6. PRE-RETIREMENT OBLIGATIONS (continued)

(i) have ten years service and have reached the age of 55 or
(ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee
(iii) retire at or after age 65
(iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation May 8, 2007 of the accrued retirement entitlements as at March 31, 2007. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (2006 - 5.00%) and a rate of salary increase of 3.0% (2006 - 3.0%) plus age related merit/promotion scale with no provision for disability.

Funding for the retirement obligation is recoverable from Manitoba Health on an out of globe basis in an amount equal to the amount receivable at March 31, 2004 of $2,654,372.

7. REVENUE FROM MANITOBA HEALTH

Revenue from Manitoba Health:		
Revenue per Manitoba Health's final funding document		$58,076,411
Other Manitoba Health Revenue - One Time		
2005/06 Pre-retirement	145,095	
ER Hard to Fill Initiative 2006/07	66,750	
Med 2020 Maintenance Fee Cost	30,928	
2004/05 Support Sector Shortfall	89,704	332,477
Add: Accruals approved by Manitoba Health:		
Medical Remuneration (estimated)	1,961,004	
Capital Operation Costs - The Pas EMS Facility	45,972	
Interest on Long Term Debt	(1,721)	
Principal on Long Term Debt	(222)	2,005,033
Deduct: Write Offs of Receivables from Manitoba Health		
2003/04 Medical Remuneration	(250,924)	
2004/05 Medical Remuneration	(298,121)	
2005/06 Medical Remuneration	(65,000)	
2005/06 SEIU Wage Standardization Funding	(1,713)	
2005/06 Debt Servicing	(810)	(616,568)
Total funding approved by Manitoba Health		59,797,353
Deduct: Amounts recorded as deferred contributions:		
Principal Reduction on Loans - Acute	(654,105)	
Principal Reduction on Loans - LTC	(258,487)	
Major Repairs and Improvements	(8,153)	
Contribution for Basic Equipment	(227,569)	(1,148,314)
Amounts not recognized as revenue		
Capital Interest		(341,139)
Revenue from Manitoba Health		$58,307,900

8. PENSION PLAN

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountant's Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimate, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2004, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $1,819,454 (2006 - $1,563,738) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

9. RELATED ENTITIES

The Pas Health Complex Foundation, Inc. (the Foundation) is a non-profit voluntary association whose purpose is the betterment of health care at The Pas Health Complex facilities. While there is no formal relationship between the Authority and this registered charitable Foundation, the aims and objectives coincide. The Authority regularly provides the Foundation with a listing of project/equipment requirements for the Foundation to consider in their annual funding process. During the year the Authority received donated equipment valued at $17,201 (2006 - $10,775).

10. STATEMENT PRESENTATION

Prior year figures have been restated for comparative purposes.

11. COMMITMENTS

(a) The Authority has entered into a 5 year operating lease at $60,000 per annum and two 15 year operating leases totalling $211,200 per annum for buildings housing some of its operations. Annual lease payments over the next five years are as follows:

2008	$271,200
2009	$271,200
2010	$271,200
2011	$211,200
2012	$211,200

Aggregate future minimum operating lease payments total $2,925,600.

(b) The Authority, on behalf of the Province of Manitoba, is making payments of principal and interest related to Province of Manitoba long-term debt. The $9,431,818 principal balance is reflected as deferred contributions related to capital assets. Funding is received from the Province for the principal and interest payments. Principal payments are estimated over the next five years as follows:

2008	$895,787
2009	$895,787
2010	$895,787
2011	$895,787
2012	$895,787

12. CAPITAL LEASE

The Authority has entered into a 6 year capital lease with the Royal Bank of Canada to purchase beds costing $294,532. Lease payments of $4,846 per month include interest at 5.74%. Lease principal payments over the next five years are as follows:

2008	$ 42,757
2009	$ 45,277
2010	$ 47,946
2011	$ 50,771
2012	$ 47,126

Aggregate future capital lease payments total $339,220 including $51,579 of imputed expenses.

BDO

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Auditors' Report

To the Board of Directors of
NORTH EASTMAN HEALTH ASSOCIATION INC.

We have audited the statement of financial position of **NORTH EASTMAN HEALTH ASSOCIATION INC.** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 30, 2007

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Financial Position

March 31	**2007**	2006
Assets		
Current Assets		
Cash and bank	**$ 2,518,019**	$ 2,024,202
Accounts receivable (Note 1)	**781,248**	587,348
Due from Manitoba Health (Note 2)	**654,123**	392,994
Inventories	**509,098**	467,394
Prepaid expense	**118,559**	57,544
Employee benefits recoverable (Note 3)	**1,926,024**	1,926,024
	6,507,071	5,455,506
Retirement obligations recoverable (Note 3)	**1,599,644**	1,599,644
Capital assets (Note 4)	**31,445,871**	30,820,593
	$ 39,552,586	$ 37,875,743
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	**$ 1,671,667**	$ 1,007,515
Accrued liabilities	**497,456**	1,398,054
Employee benefits payable (Note 3)	**2,527,641**	2,347,380
Current portion of long-term debt (Note 5)	**78,353**	75,192
	4,775,117	4,828,141
Accrued retirement obligations (Note 12)	**2,208,395**	1,566,385
Long-term debt (Note 5)	**1,252,442**	1,330,797
Deferred Contributions		
Expenses of future periods (Note 6a)	**1,333,252**	1,191,439
Capital assets (Note 6b)	**29,330,414**	28,555,322
	34,124,503	32,643,943
	38,899,620	37,472,084
Commitments and contingencies (Note 10)		
Net Assets		
Investment in capital assets (Note 7)	**1,205,032**	1,232,475
Externally restricted (Note 8)	**270,962**	271,490
Unrestricted - RHA	**(823,028)**	(1,100,306)
	652,966	403,659
	$ 39,552,586	$ 37,875,743

Approved on behalf of the Board:

______________________________ Director

______________________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.

Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Manitoba Health income (Note 9)	$ 40,503,208	$ 37,182,906
Non-Insured income	2,714,002	2,614,286
Offset and other income	2,364,977	2,419,964
Amortization of deferred contributions	1,573,513	1,477,238
Ancillary income	329,165	312,755
	47,484,865	44,007,149
Expenditures		
Acute care services	10,561,938	9,750,521
Amortization of capital assets	1,588,461	1,495,096
Ancillary operations operating expenditures	315,192	274,317
Ancillary operations amortization	63,425	62,927
Community based home care	5,195,605	5,189,374
Dialysis	287,818	307,450
Health promotion/prevention and primary care	5,953,442	5,667,676
Interest on long-term debt	40,135	62,500
Lab and imaging services	2,289,686	2,243,374
Land ambulance program	2,481,158	2,170,580
Long-term care services	13,831,006	12,969,091
Medical remuneration	2,363,900	2,166,271
Northern patient transportation program	165,374	196,266
Regional health authority	2,629,657	2,514,638
	47,766,797	45,070,081
Deficiency of revenue over expenditures before other items	(281,932)	(1,062,932)
Other Items		
One time Pre-retirement settlement (Note 9)	531,767	-
Excess (deficiency) of revenue over expenditures for the year	$ 249,835	$ (1,062,932)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Changes in Net Assets

For the year ended March 31				2007	2006
	Investment in Capital Assets (Note 7)	Externally Restricted (Note 8)	Unrestricted RHA	Total	Total
Balance, beginning of year	$ 1,232,475	$ 271,490	$ (1,100,306)	$ 403,659	$ 1,466,591
Transfers from (to) unrestricted net assets	50,930	-	(50,930)	-	-
Purchase of equipment from externally restricted funds	-	(528)	-	(528)	-
Excess (deficiency) of revenue over expenditures for the year	(78,373)	-	328,208	249,835	(1,062,932)
Balance, end of year	$ 1,205,032	$ 270,962	$ (823,028)	$ 652,966	$ 403,659

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Statement of Cash Flows

For the year ended March 31	**2007**	2006
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	**$ 249,835**	$ (1,062,932)
Adjustments for		
Amortization of capital assets	**1,651,886**	1,558,024
Amortization of deferred contributions related to capital assets	**(1,573,513)**	(1,477,238)
Net change in employee benefits	**822,271**	436,817
	1,150,479	(545,329)
Changes in non-cash working capital		
Accounts receivable	**(193,900)**	68,086
Manitoba Health receivable	**(261,129)**	16,327
Inventories	**(41,704)**	(13,422)
Prepaid expense	**(61,008)**	124,641
Accounts payable and accrued liabilities	**(236,446)**	(287,107)
	(794,187)	(91,475)
	356,292	(636,804)
Cash Flows from Investing Activities		
Purchase of capital assets	**(2,278,498)**	(408,697)
Cash Flows from Financing Activities		
Repayment of long-term debt	**(75,192)**	(67,439)
Increase in deferred contributions related to expenses of future periods (net)	**186,244**	51,740
Receipt of deferred contributions related to capital assets	**2,304,971**	317,061
	2,416,023	301,362
Net increase (decrease) in cash	**493,817**	(744,139)
Cash, beginning of year	**2,024,202**	2,768,341
Cash, end of year	**$ 2,518,019**	$ 2,024,202

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Summary of Significant Accounting Policies

March 31, 2007

Nature of Operations

North Eastman Health Association Inc. ("the Association") was incorporated under the Health Authorities Act on April 1, 1997. The Association is principally involved in providing health care services to the north-eastern regions of Manitoba. The Association is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The financial statements include the following sites and services:

Beausejour and District Ambulance
Beausejour Health Centre
Bissett Ambulance
East-Gate Lodge
Kin Place Health Complex
Lac du Bonnet Ambulance
Lac du Bonnet PCH and Health Centre
Pinawa Ambulance
Pinawa Hospital
Pine Falls Ambulance
Pine Falls Health Complex
Reynolds Ambulance
Springfield Ambulance
Springfield Handivan
Stony Plains Terrace
Whitemouth District Ambulance
Whitemouth District Health Centre
Whitemouth Handivan
Winnipeg River Handivan

Revenue Recognition

The Association follows the deferral method of accounting for contributions, which include donations and government grants.

Under the Health Insurance Act and Regulations thereto, the Association is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Ministry with respect to the year ended March 31, 2007.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight line basis, at a rate corresponding with the amortization rate for the related capital assets.

Endowment contributions are recognized as direct increases in endowment net assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the Provincial Insurance Plan, preferred accommodation, and marketed services is recognized when the goods are sold or the service is provided.

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Association. Any unapproved costs not paid by Manitoba Health are absorbed by the Association.

In-Globe funding is funding approved by Manitoba Health for Regional Health Association programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-term Care, Community and Mental Health, Home Care and Emergency Response, and Transport. All additional costs in these five service categories must be absorbed from within global funding provided.

Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Association, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Association is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Inventories

Inventories are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments, which extend the estimated life of an asset, are capitalized. When a capital asset no longer contributes to the facility's ability to provide services, its carrying amount is written down to its residual value.

Construction in progress is recorded at cost. When the specific projects are completed, all capitalized costs are transferred to capital assets.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements	5% - 10%
Buildings	2% - 5%
Leasehold improvements	5%
Building service equipment	4% - 10%
Equipment	5% - 20%
Vehicles	8% - 15%
Software and licenses	20%

Compensated Absences

Compensation expense is accrued for all employees as entitlement to these payments is earned in accordance with the Association's benefit plans for vacation, statutory holiday and retirement allowances.

Financial Instruments

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash, accounts receivable and employee benefits recoverable from Manitoba Health. Short-term financial liabilities are comprised of accounts payable, accrued liabilities and employee benefits payable.

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Association's accounts receivable are comprised mostly of amounts due from Manitoba Health and other government organizations, which reduces their risk.

Interest rate risk is the risk to the Association's earnings that arise from fluctuations in interest rates and the degree of volatility of these rates. The Association does not use derivative instruments to reduce this risk.

Use of Estimates

In preparing the Association's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Retirement Entitlement Obligations

The Association applies the accounting recommendations for employee future benefits contained in Section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

The Association has a contractual commitment, based on an actuarial valuation, for pre-retirement entitlement for members of the Health Employees Pension Plan and members of the Civil Service Superannuation Fund to pay out to employees four days salary per year of service upon retirement if they comply with one of the following conditions:

i) have ten years service and have reached the age 55;
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee;
iii) retire at or after age 65;
iv) terminate employment at any time due to permanent disability.

NORTH EASTMAN HEALTH ASSOCIATION INC.
Notes to Financial Statements

March 31, 2007

1. Accounts Receivable

	2007	2006
Ambulance	**$ 263,944**	$ 228,145
Canada Revenue Agency - GST Rebate	**277,894**	211,152
Other	**159,643**	104,313
Clients	**71,806**	32,719
Receivable from foundations	**7,961**	11,019
	$ 781,248	$ 587,348

2. Due (to) from Manitoba Health

	2007	2006
In-Globe funding	**$ 474,459**	$ 314,941
Approved capital funding	**203,632**	39,233
Out-of-Globe funding	**(23,968)**	38,820
	$ 654,123	$ 392,994

3. Employee Current and Future Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

The amount of funding that will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the Association this outstanding receivable, which will be paid when required. Any liability in excess of the March 31, 2004 amount will be reflected as a current year expense on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to the Association. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

4. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 333,034	$ -	$ 333,034	$ -
Land improvements	369,814	322,863	369,814	313,473
Buildings	42,877,322	13,813,423	41,295,858	12,681,667
Leasehold improvements	14,399	7,691	14,399	6,971
Building service equipment	233,794	106,062	263,000	118,713
Equipment	9,478,299	7,682,526	10,339,643	8,782,002
Vehicles	917,425	845,651	936,323	828,652
Software and licenses	51,395	51,395	51,395	51,395
	$ 54,275,482	$ 22,829,611	$ 53,603,466	$ 22,782,873
Cost less accumulated amortization		$ 31,445,871		$ 30,820,593

5. Long-term Debt

	2007	2006
CMHC mortgage payable, bearing interest at a rate of 4.39% per annum, due January 1, 2020 and requiring monthly principal and interest payments of $7,587	$ 894,044	$ 944,974
CMHC mortgage payable, bearing interest at a rate of 4.17% per annum, due June 1, 2020 and requiring monthly principal and interest payments of $3,573	436,751	461,015
	1,330,795	1,405,989
Current portion of long-term debt	78,353	75,192
	$ 1,252,442	$ 1,330,797

Principal payments due in the next five years and thereafter are as follows:

2008	$ 78,353
2009	82,019
2010	85,476
2011	89,209
2012	93,014
Thereafter	902,724
	$ 1,330,795

6. Deferred Contributions

a) Expenses of Future Periods

Deferred contributions related to expenses of future periods represent the unspent externally restricted grants and donations for research and other purposes.

	2007	2006
Balance, beginning of year	**$ 1,191,439**	$ 1,265,696
Amounts received related to future periods	**934,587**	900,931
Amounts amortized to revenue	**(748,343)**	(849,191)
Funding amounts transferred to capital assets	**(44,431)**	(125,997)
Balance, end of year	**$ 1,333,252**	$ 1,191,439

b) Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

	2007	2006
Balance, beginning of the year	**$ 28,555,322**	$ 29,589,502
Increase from Pinawa Construction	**1,716,296**	-
Additional contributions received/receivable	**587,878**	317,061
Amounts transferred from expenses of future periods	**44,431**	125,997
Amounts amortized to revenue in the year	**(1,573,513)**	(1,477,238)
Balance, end of the year	**$ 29,330,414**	$ 28,555,322
Comprised of:		
Unspent	**$ 420,370**	$ 493,378
Spent	**28,910,044**	28,061,944
Balance, end of the year	**$ 29,330,414**	$ 28,555,322

7. Investment in Capital Assets

Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	$ 31,445,871	$ 30,820,593
Amounts financed by		
Deferred contributions	(28,910,044)	(28,061,944)
Mortgages payable	(1,330,795)	(1,405,989)
Due to/(from) operating account	-	(120,185)
	$ 1,205,032	$ 1,232,475

Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ 1,573,513	$ 1,477,238
Amortization of capital assets	(1,651,886)	(1,558,024)
	$ (78,373)	$ (80,786)
Net changes in investment in capital assets		
Purchase of capital assets	$ 2,278,498	$ 408,697
Amounts funded by		
Deferred contributions	(637,956)	(233,230)
Due to operating account	-	(41,741)
Deferred contributions - Pinawa construction	(1,596,111)	-
Transfers		
Deferred contributions - expenses of future periods (net)	(44,431)	(125,997)
- unrestricted net assets	50,930	46,519
	$ 50,930	$ 54,248
Total change in net assets invested in capital assets	$ (27,443)	$ (26,538)

8. Net Assets - External Restrictions

The net assets shall only be expended on items and/or projects that are authorized jointly by the Board of Directors of North Eastman Health Association Inc. and the contributing organizations.

9. Manitoba Health Income

		2007	2006
Revenue as per Manitoba Health's final funding document		**$ 41,711,296**	$ 37,873,644
Add:	Public Health Programs	**511,621**	402,572
	Safety and security - nursing	**-**	1,039
	Primary Health transition funding	**-**	131,300
	Nurse recruitment and retention	**20,819**	24,071
	CIHI and Med 2020 fees	**5,972**	10,986
Deduct:	Amounts related to prior year	**(397,193)**	(376,569)
	One time Pre-retirement funding	**(531,767)**	-
Total Funding Approved by Manitoba Health		**41,320,748**	38,067,043
Add:	Salary funding receivable - MGEU	**302,143**	233,269
	Immunization programs	**55,154**	81,672
	Medical remuneration	**-**	46,675
	Out-of-Globe - capital	**203,632**	39,232
	Other	**12,310**	-
	Long-term care strategy	**26,614**	-
	Interfacility transfer	**57,553**	-
Deduct:	Amounts recorded as deferred contributions	**(1,474,946)**	(1,284,985)
Revenue from Manitoba Health before other items		**40,503,208**	37,182,906
One time Pre-retirement settlement		**531,767**	-
		$ 41,034,975	$ 37,182,906

10. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007, management believes the Association has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Association's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

10. Commitments and Contingencies (continued)

c) The Association has entered into various operating leases for its operations. The minimum annual payments for the next five years are as follows:

2008	$ 144,595
2009	156,815
2010	156,815
2011	156,815
2012	156,815

11. Pension Plan

Many of the employees of the Association are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook Section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.6% (6.4% in 2006) of basic annual earnings up to the Canada Pension Plan ceiling plus 8.2% (8% in 2006) of basic earnings in excess of the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005, indicates the plan is in a deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe.

Certain of the employees of the Association are eligible for membership in the Manitoba Homecare Employees Pension Plan, a multi-employer plan.

11. Pension Plan (continued)

Actual contributions to the Healthcare Employees Pension Plan and the Manitoba Homecare Employees Pension Plan made during the year by the Association on behalf of its employees amounted to $1,342,824 ($1,183,791 in 2006) and are included in the statement of operations.

Many of the employees of the Association are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Association employees is included in the Province of Manitoba's liability for the Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participation in the pension plan by the Association and its employees.

12. Accrued Retirement Obligations

The significant actuarial assumptions adopted in measuring the Association's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 4.85% (5.0% in 2006) and a rate of salary increase of 3.0% (3% in 2006) plus an age related merit/promotion scale with no provision for disability.

Management's Responsibility

To the Board of Directors of Parkland Regional Health Authority Inc.:

Management has responsibility for preparing the accompanying consolidated financial statements. This responsibility includes selecting appropriate accounting principles and making objective judgments and estimates in accordance with Canadian generally accepted accounting principles.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit Committee are composed primarily of Directors who are neither management nor employees of the Organization. The Audit Committee is appointed by the Board to review the consolidated financial statements in detail with management and to report to the Board prior to their approval of the consolidated financial statements for publication.

Meyers Norris Penny LLP, an independent firm of Chartered Accountants, is appointed by the Board of Parkland Regional Health Authority Inc. to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Audit Committee and management to discuss their audit findings.

Management Allan Bradley Management

Auditors' Report

To the Board of Directors of Parkland Regional Health Authority Inc.

We have audited the consolidated statement of financial position of the Parkland Regional Health Authority Inc. as at March 31, 2007 and the consolidated statements of changes in net assets, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Parkland Regional Health Authority Inc. as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Brandon, Manitoba

June 15, 2007

Meyers Norris Penny LLP

Chartered Accountants

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2007

	Affiliates	*Devolved*	***2007***	*2006*
Assets				
Current				
Cash	688,723	4,269,004	**4,957,727**	6,402,398
Temporary investments	161,205	96,934	**258,139**	2,320,693
Accounts receivable (*Note 3)*	324,912	1,473,424	**1,798,336**	1,430,649
Due from Manitoba Health *(Note 4)*	-	3,540,299	**3,540,299**	1,396,232
Inventory	219,391	1,255,957	**1,475,348**	1,462,412
Prepaid expenses	61,040	647,128	**708,168**	728,227
Inter-facility	(520,831)	520,831	**-**	-
	934,440	11,803,577	**12,738,017**	13,740,611
Long-term investments *(Note 5)*	2,510	17,354,914	**17,357,424**	15,946,626
Capital assets *(Note 6)*	9,958,203	70,159,497	**80,117,700**	80,545,040
Trust assets	48,834	28,532	**77,366**	27,694
Benefits obligation *(Note 7)*	1,915,452	8,267,391	**10,182,843**	10,179,769
	12,859,439	107,613,911	**120,473,350**	120,439,740

Continued on next page

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Financial Position
As at March 31, 2007

	Affiliates	*Devolved*	***2007***	*2006*
Continued from previous page				
Liabilities				
Current				
Lines of credit	202,071	-	**202,071**	371,764
Accounts payable and accruals	853,730	6,577,273	**7,431,003**	6,390,577
Benefits obligation	1,386,278	7,584,817	**8,971,095**	8,257,234
Current portion of long-term debt *(Note 8)*	35,640	83,330	**118,970**	87,273
	2,477,719	14,245,420	**16,723,139**	15,106,848
Long-term debt *(Note 8)*	769,118	80,450	**849,568**	163,780
Benefits obligation	716,663	3,043,540	**3,760,203**	3,943,107
Deferred contributions *(Note 11)*	8,159,876	91,624,140	**99,784,016**	99,473,545
Trust liabilities	48,834	28,532	**77,366**	27,694
	9,694,491	94,776,662	**104,471,153**	103,608,126
Net Assets				
Invested in capital assets *(Note 12)*	1,266,072	1,302,400	**2,568,472**	2,619,794
Internally restricted for capital purposes	31,114	100,593	**131,707**	411,946
Unrestricted net assets	(609,957)	(2,811,164)	**(3,421,121)**	(1,306,974)
	687,229	(1,408,171)	**(720,942)**	1,724,766
	12,859,439	107,613,911	**120,473,350**	120,439,740

Approved on behalf of the Board

_______________ **Director** _______________ **Director**

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Changes in Net Assets
For the year ended March 31, 2007

	Invested in capital assets	*Internally restricted for capital purposes*	*Unrestricted*	***2007 Total***	*2006 Total*
Balance, beginning of year	2,619,794	411,946	(1,306,974)	**1,724,766**	6,791,126
Prior period adjustment *(Note 17)*	(581,442)	(148,457)	-	**(729,899)**	(213,800)
Restated	2,038,352	263,489	(1,306,974)	**994,867**	6,577,326
Excess (deficiency) of revenues over expenses	(175,425)	6,187	(1,544,148)	**(1,713,386)**	(4,852,560)
Investment in capital assets	422,814	(143,135)	(279,051)	**628**	-
Internal transfers	282,731	5,166	(290,948)	**(3,051)**	-
Balance, end of year	2,568,472	131,707	(3,421,121)	**(720,942)**	1,724,766

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Operations
For the year ended March 31, 2007

	Affiliates	*Devolved*	***2007***	*2006*
Revenues				
Manitoba Health operating income *(Note 9)*	22,183,877	72,684,910	**94,868,787**	87,762,109
Patient income	3,402,218	3,713,504	**7,115,722**	6,757,653
Other income	1,089,493	3,870,879	**4,960,372**	4,274,159
Amortization of deferred contributions	1,389,336	2,757,593	**4,146,929**	4,134,178
	28,064,924	83,026,886	**111,091,810**	102,928,099
Expenses				
Acute care	11,320,852	32,867,137	**44,187,989**	41,563,803
Long-term care	14,737,291	17,410,934	**32,148,225**	30,760,732
Community and mental health	289,911	11,087,161	**11,377,072**	10,609,962
Homecare	154,295	9,349,747	**9,504,042**	9,232,225
Emergency response and transport	-	3,763,454	**3,763,454**	3,360,326
Parkland Regional Hospital Laundry Ltd.	-	969,418	**969,418**	909,417
Regional health costs *(Note 10)*	-	1,469,988	**1,469,988**	1,438,135
Medical remuneration	399,758	3,311,160	**3,710,918**	3,736,435
Pre-retirement	300,497	668,884	**969,381**	1,636,092
Amortization of capital assets	1,529,959	3,148,812	**4,678,771**	4,504,945
Interest on long-term obligations	6,368	19,570	**25,938**	28,587
	28,738,931	84,066,265	**112,805,196**	107,780,659
Excess (deficiency) of revenues over expenses	(674,007)	(1,039,379)	**(1,713,386)**	(4,852,560)

The accompanying notes are an integral part of these financial statements.

Parkland Regional Health Authority Inc.
Consolidated Statement of Cash Flows
For the year ended March 31, 2007

	Affiliates	*Devolved*	***2007***	*2006*
Cash provided by (used in)				
Operations				
Deficiency of revenues over expenses	(674,007)	(1,039,379)	**(1,713,386)**	(4,852,560)
Items not involving cash:				
Amortization of capital assets	1,529,959	3,148,812	**4,678,771**	4,504,945
Amortization of deferred contributions	(1,389,336)	(2,757,593)	**(4,146,929)**	(4,134,178)
	(533,384)	(648,160)	**(1,181,544)**	(4,481,793)
Changes in non-cash operating working capital				
Temporary investments	65,580	1,996,974	**2,062,554**	(173,588)
Due from Manitoba Health	-	(2,144,067)	**(2,144,067)**	(788,492)
Other working capital	35,004	1,172,656	**1,207,660**	932,632
	100,584	1,025,563	**1,126,147**	(29,448)
Financing and Investing				
Purchase of capital assets	(2,287,921)	(2,421,068)	**(4,708,989)**	(11,436,870)
Purchase of operating items from donations	-	-	-	(4,147)
Disposal of capital assets	8,439	-	**8,439**	(2,378,390)
Purchase of long-term investments	-	(1,410,798)	**(1,410,798)**	(775,455)
Disposal of investments	-	-	-	141,490
Increase (decrease) in line of credit	647,176	(816,869)	**(169,693)**	1,721,373
Disposal of cash upon devolution	(462,936)	462,936	-	-
Deferred contributions	1,075,365	3,108,791	**4,184,156**	15,025,777
Interfacility	(165,686)	165,686	-	-
Proceeds of long-term debt	804,758	-	**804,758**	-
Repayment of long-term debt	-	(87,273)	**(87,273)**	(259,779)
Use of reserve	(7,553)	-	**(7,553)**	-
Net asset transfers	(2,321)	-	**(2,321)**	-
	(390,679)	(998,595)	**(1,389,274)**	2,033,999
Decrease in cash during the year	(823,479)	(621,192)	**(1,444,671)**	(2,477,242)
Cash, beginning of year	1,512,202	4,890,196	**6,402,398**	8,879,640
Cash, end of year	688,723	4,269,004	**4,957,727**	6,402,398

The accompanying notes are an integral part of these financial statements.

1. Organization

The Parkland Regional Health Authority Inc. is a non-profit organization incorporated without share capital under the laws of Manitoba. The Parkland Regional Health Authority Inc. is involved in the provision of health care services to persons resident in the Parkland Region.

The Parkland Regional Health Authority Inc. is a registered charity and, as such, is exempt from income tax and may issue income tax receipts to donors.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, and include the following significant accounting policies:

Basis of accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenses are recognized, as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Basis of reporting

These financial statements include the accounts of all controlled not-for-profit organizations of the Parkland Regional Health Authority Inc. All significant inter-departmental transactions have been eliminated.

The assets, liabilities, revenues and expenses of the following not-for-profit operations have been included in these financial statements:

Devolved facilities:

Dauphin Regional Health Centre
Roblin District Health Centre
Gilbert Plains Health Centre
Grandview Hospital District
Dauphin & District Ambulance Service
Roblin & District Ambulance Service
Grandview Personal Care Home
Parkland Regional Hospital Laundry Ltd.
Ste. Rose Ambulance Service
Swan Valley Ambulance Service
Swan Valley Lodge
Swan Valley Health Centre
Swan River Valley Personal Care Home
Benito Health Centre

2. Significant accounting policies *(continued)*

Affiliates:

McCreary/Alonsa Health Centre
Hôpital Général – Ste. Rose – General Hospital
Winnipegosis – Mossey River Personal Care Home Inc.
Winnipegosis General Hospital
St. Paul's Home (Inc.)
Dr. Gendreau Personal Care Home Inc.
Canadian Mental Health Association, Swan Valley Branch, Inc.

The Canadian Mental Health Association, Swan Valley Branch, Inc. is a member of the Canadian Mental Health Association of Canada and operates under the jurisdiction of the Manitoba Division of the Canadian Mental Health Association.

This organization has been included in the consolidated statements of the Parkland Regional Health Authority as a result of 75.26% of its total revenue for the year ended 31 March 2007 originating from the Parkland Regional Health Authority. During the 2006/07 fiscal year the Canadian Mental Health Association, Swan Valley Branch, Inc. opened the Dauphin E.C.H.O. apartments. Revenue from these rental units will reduce the economic dependence of this organization on the Parkland Regional Health Authority below the 70% benchmark. The Parkland Regional Health Authority does not expect to consolidate this organization in the financial statements for the fiscal year ended March 31, 2008.

The Parkland Regional Health Authority Inc. also receives funding from independent organizations, which organize fundraising drives in various geographical areas exclusively for the use of the Parkland Regional Health Authority Inc. or its related entities. The extent of any funding provided by these independent entities are solely at the discretion of the board of directors of the independent entities.

A number of facilities within the Parkland Regional Health Authority Inc. receive donations from charitable foundations. As there is no control, significant influence or economic interest between the Parkland Regional Health Authority Inc. and these foundations, no financial information regarding these foundations is reported or disclosed in the financial statements of the Parkland Regional Health Authority Inc.

Temporary investments

Temporary investments are stated at the lower of cost and market value. These temporary investments have a fair market value of $258,139 at March 31, 2007 ($2,320,693 at March 31, 2006) with interest rates ranging from 2.25% to 3.26% maturing April 2007 to October 2007.

Inventory

Inventory is stated at the lower of cost and replacement cost. Cost is determined on the first-in, first-out basis.

Capital assets

Capital assets are recorded at cost. Amortization is provided using the straight-line method at rates intended to amortize the cost of the assets over their estimated useful lives.

Buildings	20 to 40 years
Equipment	4 to 20 years

2. Significant accounting policies *(continued)*

Long-lived assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in operations for the year.

Quoted market prices and prices for similar items are used to measure fair value of long-lived assets.

Benefits obligation

The Health Authority applies the accounting recommendations for employee future benefits contained in *Section 3461 of the Canadian Institute of Chartered Accountant's Handbook.*

Revenue recognition

The Parkland Regional Health Authority Inc. follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

A number of individuals donate significant amounts of time to the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates are made for amortization, based on the useful lives of capital assets, amounts due from Manitoba Health, revenue from Manitoba Health and In-Globe and Out-of-Globe funding that is not yet approved, and accrued retirement entitlement obligations, based on management estimates and actuarial valuations.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in operations in the periods in which they become known.

2. Significant accounting policies *(continued)*

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 Financial Instruments – Recognition and Measurement establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 Financial Instruments – Disclosure and Presentation discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 Hedges. Section 1530 Comprehensive Income establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income. Although the requirements of Section 1530 Comprehensive Income are not applicable for not-for-profit organizations, amendments to Section 4400 Not-For-Profit Organizations will require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. There have also been numerous consequential amendments made to other Sections.

In December 2006, the Canadian Institute of Chartered Accountants issued Section 3862 Financial Instruments – Disclosures and Section 3863 Financial Instruments – Presentation to replace Section 3861 Financial Instruments – Disclosure and Presentation. These new Sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date.

3. Accounts receivable

	2007	*2006*
Accrued interest	**28,763**	107,057
Ambulance	**278,363**	264,478
Ambulance - Health Canada First Nations Inuit Health	**139,860**	105,002
CancerCare Manitoba	**103,136**	-
Dauphin General Hospital Foundation	**70,253**	235,575
Diagnostic Services Manitoba	**102,157**	-
Employee Education Advances	**102,823**	65,489
Manitoba Housing and Renewal Corporation	**10,000**	17,796
Other	**574,731**	441,133
Residents/ Patients	**162,343**	108,545
Swan Valley Health Facilities Foundation Inc.	**87,064**	85,574
Swan Valley Gas Corporation Credit	**138,843**	-
	1,798,336	1,430,649

4. Due from Manitoba Health

	2007	*2006*
Current years Operating Funding	**648,227**	443,597
Out of Globe – 2006/2007	**(283,682)**	-
Out of Globe – 2005/2006	**(331,663)**	(417,674)
Approved Capital Funding	**3,154,720**	1,370,309
Ambulance Interfacility Transfers and Lifeflights	**352,697**	-
	3,540,299	1,396,232

In-Globe Funding

In-Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out-of-Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long-Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.
Any operating surplus greater than 2% of budget related to In-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy the Regional Health Authority is responsible for In-Globe deficits, unless otherwise approved by Manitoba Health.

Out-of-Globe Funding

Out-of-Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out-of-Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals, which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

5. Long-term investments

	2007	*2006*
Manitoba Health sinking fund – trust account, various short-term and long-term investments earning interest of 3.22% to 4.5%. Sinking fund payments in each of the next two years will be $573,750. Fair market value of investments are $17,334,631.	**17,334,631**	15,923,833
Various investments	**22,793**	22,793
	17,357,424	15,946,626

6. Capital assets

	Cost	*Accumulated Amortization*	*2007 Net Book Value*	*2006 Net Book Value*
Land	**676,319**	**-**	**676,319**	626,319
Buildings	**104,921,978**	**34,447,439**	**70,474,539**	71,285,540
Equipment	**32,470,007**	**25,216,816**	**7,253,191**	8,052,740
Construction in progress	**1,713,651**	**-**	**1,713,651**	580,441
	139,781,955	**59,664,255**	**80,117,700**	80,545,040

7. Benefits obligation

The Health Authority recorded pre-retirement, accrued vacation, statutory holiday and overtime salary liability as benefits obligation. Funding for the entitlement as at March 31, 2004 is recoverable from Manitoba Health.

Accrued retirement entitlement

The Health Authority has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or

ii) qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee

iii) retires at or after age 65 or

iv) terminates employment at any time due to permanent disability

The Health Authority has recorded an accrual amount based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of the employees who have not yet met the criteria above. Funding for the retirement entitlement accrued prior to March 31, 2004 is recoverable from Manitoba Health on an Out-of-Globe basis in the year of payment.

Each year, the Health Authority updates an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (5% in 2006) and a rate of salary increase of 3% (3% in 2006) plus age related merit/promotion scale with nil disability.

Pension plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the Plan is accounted for as a defined contribution plan in accordance with the requirements of the *Canadian Institute of Chartered Accountants' Handbook section 3461.*

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, together with the 6.4% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees and 8% thereafter, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2004, indicates that the Plan has a contribution deficiency. A contribution rate increase has been approved to address the deficiency.

8. Long-term debt

	2007	*2006*
Debenture Payable Held on behalf of Gilbert Plains Health Centre Inc. by Province of Manitoba repayable in annual instalments of $80,450 including interest at 11.125%, secured by the Gilbert Plains Health Centre Inc. building, with a net book value of $1,263,361, due June 1, 2008.	**160,900**	241,350
Loan Payable GMAC bearing interest at 1.900% payable in monthly instalments of $578 including interest, secured by a 2002 Chevrolet Venture, due August 2007.	**2,880**	9,703
Dauphin Plains Credit Union loan payable, secured by promissory note, 1st mortgage on land and buildings, General Security Agreement covering all business assets, and assignment of rents, repayable in monthly instalments (amount unknown as mortgage has not been at 5.84%, 20 year amortization, 48 month term matures July 31, 2010.	**304,758**	-
Manitoba Housing and Renewal Corporation loan payable repayable in monthly instalments of $2,778 including interest at 0%, secured by 2nd mortgage on land and building, matures March 31, 2022.	**500,000**	-
	968,538	251,053
Amount due within one year included in current liabilities	**118,970**	87,273
	849,568	163,780

Principal repayments required in each of the next five years are estimated as follows:

2008	118,970
2009	122,614
2010	42,694
2011	43,256
2012	43,851

9.	**Manitoba Health operating income**	*2007*	*2006*
Revenue as per Manitoba Health's final funding document		**95,610,874**	93,077,326
Add:	Wage Standardization and Market Supplement Salary Increments	**545,928**	562,811
	Provincial Data Network Funding	**39,678**	-
		96,196,480	93,640,137
Deduct:	Non-Global surplus repayable for 2006/07	**(222,252)**	-
	Non-Global surplus repayable for 2005/06	-	(140,322)
	Long-Term Care Standards deferral of revenue	-	(117,432)
Total funding approved by Manitoba Health		**95,974,228**	93,382,383
Add:	Hepatitis B Program	**104,635**	104,635
	Influenza Program	**101,859**	74,975
	Community Health Needs Assessment	**1,242**	3,018
	Primary Health Care Transition Fund	**208,614**	416,238
	Self Help Centre	**43,700**	43,338
	Non Global Adjustments	**1,104,927**	51,178
	Chronic Disease Prevention Initiative	**91,459**	8,693
	Risk Factor and Complication Assessment Funding	**15,612**	12,115
	Telepsychiatry Clinics	**25,736**	37,261
	Diagnostics Backfill Costs	**9,000**	4,500
	Emergency Services Billings	**495,429**	18,095
	Board expenses	**6,173**	-
	Workplace Health and Safety – Lift and Transfer expenses	**41,708**	-
	W.H.I.C.	**120,000**	-
	Med2020 Maintenance	**57,865**	-
		98,402,187	94,156,429
Deduct:	Amounts recorded as deferred contributions for:		
	- Long-term debt	**(675,912)**	(2,359,728)
	- Equipment funding	**(459,864)**	(459,864)
	- Major repairs	**(37,488)**	(37,488)
	- Capital interest on loans reclassified to deferred contributions	**(2,360,136)**	(3,537,240)
Revenue from Manitoba Health		**94,868,787**	87,762,109

10. Regional Health Authority Inc. costs

	2007	*2006*
Corporate office salaries	**876,298**	755,452
Corporate office benefits	**126,568**	97,774
Expenses paid on behalf of facilities	**27,778**	167,607
Board expenses	**108,573**	89,008
Recruitment	**46,800**	40,000
Nursing formal education	**-**	62,055
Other	**283,971**	226,239
	1,469,988	1,438,135

11. Deferred contributions

Deferred contributions represent capital funding received from Manitoba Health or donations received from other sources restricted for the purchase of depreciable capital assets and/or future expenses.

	Donation	Unexpended	Expended	*2007*	*2006*
Balance, beginning of year	177,921	3,434,885	91,502,949	**95,115,755**	88,236,371
Prior period adjustments	-	(126,491)	118,406	**(8,085)**	798,624
Capital asset additions	15,619	(22,237)	3,168,717	**3,162,099**	11,436,870
Capital asset disposals	-	-	-	**-**	(6,850,777)
Capital funding	(2,464)	62,052	418,056	**477,644**	5,535,282
Interest and donations	75,196	42,680	620	**118,496**	110,667
Amortization	(116)	-	(4,146,813)	**(4,146,929)**	(4,134,178)
Other operating expenses	(5,223)	(7,186)	1,447	**(10,962)**	(17,090)
Internal transfers	-	(2,099,695)	2,099,695	**-**	-
Balance, end of year	260,933	1,284,008	93,163,077	**94,708,018**	95,115,769
Deferred revenue				**5,075,998**	4,357,776
				99,784,016	99,473,545

12. Invested in capital assets

	Affiliates	Devolved	*2007*	*2006*
Capital Assets	9,958,203	70,159,497	**80,117,700**	80,545,040
Amounts financed by:				
Deferred contributions and revenue related to capital assets	(7,923,044)	(89,978,634)	**(97,901,678)**	(95,488,888)
Long-term debt	(804,758)	(163,780)	**(968,538)**	(251,053)
Cash – capital	20,633	795,966	**816,599**	834,498
Temporary investments – capital	12,597	-	**12,597**	11,969
Accounts receivable – capital	78,683	-	**78,683**	109,565
Due from Manitoba Health – capital	-	3,154,720	**3,154,720**	1,370,309
Prepaid expenses – capital	400	-	**400**	-
Long-term investments – capital	-	17,334,631	**17,334,631**	15,923,833
Accounts payable - capital	(45,171)	-	**(45,171)**	(119,076)
Due from operating account	(31,471)	-	**(31,471)**	(316,403)
	1,266,072	1,302,400	**2,568,472**	2,619,794

13. Financial instruments

The Parkland Regional Health Authority Inc.'s financial instruments consist of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Parkland Regional Health Authority Inc. is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Fair Value

The carrying amounts of cash, accounts receivable, temporary investments, accounts payable, amounts due to (from) Manitoba Health and accrued liabilities approximate their fair values due to the short-term maturities of these items. The carrying amounts of the organization's investments and loans approximate their fair values as the investments and loans have currently prevailing interest rates

14. Economic dependence

The Parkland Regional Health Authority Inc. received 89% of its total revenue for the year ended March 31, 2007 from Manitoba Health.

15. Comparative amounts

Certain comparative figures have been reclassified to conform with the current year presentation.

16. Amalgamation

During the year, Parkland Regional Health Authority Inc. combined Swan Valley Hospital, Benito Health Centre, Swan River Valley Personal Care Home Inc, and the Swan Valley Lodge (1991) Inc., with their current operations effective October 31, 2006. Assets were transferred at net book value.

17. Prior period adjustment and reclassification

Prior to the amalgamation of Swan Valley Hospital, Benito Health Centre, Swan River Valley Personal Care Home Inc., and Swan Valley Lodge (1991) Inc. it was discovered that funding provided by Manitoba Health for the periodic repayment of long-term debt had been recorded as either a direct adjustment to net assets or recorded as revenue in the year received. Therefore, a prior period adjustment of $581,442 was made in the current year to Deferred Contributions and Net Assets Invested in Capital Assets in order to restate the opening balances.

During the year it was discovered that amortization of funding for equipment had been recorded as restricted operating surplus. Therefore, a prior period adjustment of $148,457 has been made in the current year to Deferred Contributions and Net Assets Internally Restricted for Capital Purposes in order to restate the opening balances.

MNP
MEYERS NORRIS PENNY LLP

AUDITORS' REPORT

To the Board of Directors of
Regional Health Authority – Central Manitoba Inc.

We have audited the consolidated statement of financial position of Regional Health Authority – Central Manitoba Inc. as at March 31, 2007 and the consolidated statements of operations, consolidated changes in net assets, consolidated cash flows and schedules one through three for the year then ended. These consolidated financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Portage la Prairie, Manitoba
June 21, 2007

Chartered Accountants

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Financial Position

March 31, 2007

	2007	2006
ASSETS		
CURRENT		
Cash and short term investments	$ 8,168,863	$ 7,052,227
Accounts receivable, net	2,018,612	1,182,781
Accounts receivable - Manitoba Health (Note 3)	2,428,803	1,945,523
Inventories	1,145,420	1,254,134
Prepaid expenses	876,549	782,976
Due from Manitoba Health - vacation entitlements	7,775,928	7,775,928
	22,414,175	19,993,569
NON-CURRENT		
Due from Manitoba Health - retirement entitlements	9,106,000	9,106,000
Capital assets (Note 4)	80,849,163	82,506,870
Other assets	157,787	154,700
	$ 112,527,125	$ 111,761,139
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
CURRENT		
Accounts payable and accrued liabilities	$ 10,440,217	$ 9,157,553
Accrued vacation entitlements	9,108,207	9,087,862
Current portion of long term debt (Note 5)	199,247	185,071
	19,747,671	18,430,486
NON-CURRENT		
Accrued retirement entitlements	10,024,183	9,641,226
Long term debt (Note 5)	2,779,095	2,981,516
	12,803,278	12,622,742
DEFERRED CONTRIBUTIONS (Note 6)		
Expenses of future periods	2,710,162	2,560,833
Capital assets	76,526,493	77,765,873
	79,236,655	80,326,706
NET ASSETS		
Invested in capital assets (Note 7)	1,344,516	1,665,662
Contract facilities (Note 8)	1,219,624	966,821
Internally restricted (Note 9)	276,773	276,773
Unrestricted	(2,101,392)	(2,528,051)
	739,521	381,205
COMMITMENTS AND CONTINGENCIES (Note 10)		
	$ 112,527,125	$ 111,761,139

APPROVED BY THE BOARD OF DIRECTORS

Director

Director

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Operations

Year Ended March 31, 2007

	2007	2006
REVENUE		
Manitoba Health (Note 11)	$ 143,615,736	$ 133,589,373
Other government departments	297,197	1,335,383
Non-global patient and resident income	11,775,155	11,528,301
Other income	5,062,437	5,248,013
Amortization of deferred contributions - expenses of future periods	2,505,054	2,295,573
Amortization of deferred contributions - capital and foundations	4,358,692	4,376,623
Interest and donations	386,184	287,690
Ancillary operations (Schedule 1)	2,152,908	2,066,423
	170,153,363	160,727,379
EXPENSES		
Acute care services	57,983,832	56,481,830
Long term care services	44,941,633	43,017,691
Medical remuneration	11,778,867	10,673,128
Community based therapy services	2,109,889	1,893,466
Community based mental health services	6,835,506	7,310,070
Community based home care services	16,628,574	14,675,845
Community based health services	5,220,212	6,063,690
Land ambulance	5,478,220	4,895,856
Regional health authority undistributed	9,795,784	9,467,185
Interest on long term debt	439,736	364,646
Pre-retirement leave	1,169,500	1,762,336
Amortization of capital assets	4,545,995	4,573,611
Major repairs	610,808	449,065
Donations to foundations	21,000	22,000
Ancillary operations (Schedule 1)	1,817,993	1,803,543
	169,377,549	163,453,962
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 775,814	$ (2,726,583)
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES		
Capital and donations to foundations	$ (819,111)	$ (668,053)
Interest and donations	386,184	287,690
Ancillary operations	334,915	262,880
Health care operations	873,826	(2,609,100)
TOTAL	$ 775,814	$ (2,726,583)

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Changes in Net Assets

Year Ended March 31, 2007

	Invested in Capital Assets	Contract Facilities (Note 8)	Internally Restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year before restatement	$ 1,665,662	$ 966,821	$ 276,773	$ (2,528,051)	$ 381,205	$ 2,866,842
Prior period adjustment (Note 16)	(270,616)	(27,200)	-	(119,676)	(417,492)	240,946
Balance as restated	1,395,046	939,621	276,773	(2,647,727)	(36,287)	3,107,788
Excess (Deficiency) of revenue over expenses	(283,403)	324,631	-	734,586	775,814	(2,726,583)
Repayment of non-Manitoba Health funded long term debt	188,245	-	-	(188,245)	-	-
Investment in capital assets	44,628	(44,628)	-	-	-	-
Balance, end of year	$ 1,344,516	$ 1,219,624	$ 276,773	$ (2,101,386)	$ 739,527	$ 381,205

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Consolidated Statement of Cash Flows

Year Ended March 31, 2007

		2007		2006
OPERATING ACTIVITIES				
Excess (Deficiency) of revenue over expenses	$	**775,814**	$	(2,726,583)
Items not affecting cash				
Amortization of capital assets		**4,688,015**		4,711,644
Amortization of deferred contributions related to expenses of future periods		**(2,565,408)**		(2,295,573)
Amortization of deferred contributions related to capital assets		**(4,404,613)**		(4,507,773)
Changes in non-cash operating working capital items		**(21,312)**		(909,277)
		(1,527,504)		(5,727,562)
FINANCING ACTIVITIES				
Increase (decrease) in accrued vacation and retirement entitlements		**403,302**		674,326
Principal payments on long term debt		**(188,245)**		(168,587)
Increase in deferred contributions related to expenses of future periods		**2,756,030**		3,311,532
Increase in deferred contributions related to capital assets		**3,123,940**		3,544,255
		6,095,027		7,361,526
INVESTING ACTIVITIES				
Purchase of capital assets		**(3,030,308)**		(5,054,066)
Prior period adjustment - net assets		**(417,492)**		240,946
Change in other assets		**(3,087)**		(5,607)
		(3,450,887)		(4,818,727)
DECREASE IN CASH AND SHORT TERM INVESTMENTS		**1,116,636**		(3,184,763)
CASH AND SHORT TERM INVESTMENTS, BEGINNING OF YEAR		**7,052,227**		10,236,990
CASH AND SHORT TERM INVESTMENTS, END OF YEAR	$	**8,168,863**	$	7,052,227

1. NATURE OF BUSINESS

Regional Health Authority - Central Manitoba Inc. (the Authority) was incorporated under the laws of Manitoba on January 2, 1996. The Authority commenced activity on April 1, 1997. The Authority is principally involved in providing health care services to the central region of Manitoba. The Authority is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

Management has prepared the financial statements in accordance with Canadian generally accepted accounting principles. The following is a summary of significant accounting policies for the Authority:

a) Basis of reporting

The Authority provides health care services through devolved and contract facilities. The contract facilities include Salem Home Inc., Tabor Home Inc., Eden Mental Health Centre, Rock Lake Health District and Prairie View Lodge, Inc.

The health care services provided by the contract facilities are delivered under the control of the Authority as the majority funder. Accordingly, the financial position and results of operations of these related organizations are consolidated in the financial statements of the Authority. A financial summary of these contract facilities is provided in Schedules 2 and 3.

All significant inter-company and inter-divisional transactions have been eliminated. Transactions with non-controlled contract entities and certain non-devolved ambulance services have not been consolidated and the transactions are recorded as a purchased service.

b) Revenue recognition

The Authority follows the deferral method of accounting for contributions which include government grants and donations.

Under the Health Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by Manitoba Health with respect to the year ended March 31, 2007.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions other than endowment contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

c) Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Investments

Investments are carried at the lower of cost and market value. At March 31, 2007, cost approximates market value for these investments.

e) Inventories

Inventories are recorded at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

f) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying value is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2%
Major equipment	10% - 20%

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to capital assets.

g) Vacation pay

The Authority records the accrued vacation pay entitlement liability. Funding for the entitlement is recoverable as a component of salary cost funding for the subsequent year.

h) Retirement entitlement obligations

The Authority applies the accounting recommendations for employee future benefits contained in section 3461 of the Canadian Institute of Chartered Accountants' Handbook.

i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

j) Long-lived Assets

Long-lived assets consist of capital assets with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Authority performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's value. Any impairment is included in earnings for the year.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2006. Section 3855 *Financial Instruments - Recognition and Measurement* establishes standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives. Section 3861 *Financial Instruments - Disclosure and Presentation* discusses the presentation and disclosure of these items. The application of hedge accounting is covered in Section 3865 *Hedges*. Section 1530 *Comprehensive Income* establishes standards for reporting and displaying certain gains and losses, such as unrealized gains and losses related to hedges or other derivative instruments, outside of net income, in a statement of comprehensive income.

Although the requirements of Section 1530 *Comprehensive Income* are not applicable for not-for-profit organizations, amendments to Section 4400 *Not-for-Profit Organizations* will require presentation of gains, losses, revenues and expenses arising from derivatives, hedges and other financial instruments as separate components of the change in net assets. There have also been numerous consequential amendments made to other Sections.

In December 2006, the Canadian Institute of Chartered Accountants issued Section 3862 Financial Instruments - Disclosures and Section 3863 Financial Instruments - Presentation to replace Section 3861 Financial Instruments - Disclosure and Presentation. These new Sections are effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007, but may be adopted in place of Section 3861, before that date.

3. ACCOUNTS RECEIVABLE - MANITOBA HEALTH

Accounts Receivable - Manitoba Health includes the following:

	2007	2006
Current year's operating funding		
Medical year end adjustments	**(563,641)**	$ 674,980
Orthopaedic wait list funding	**2,443,004**	516,450
CUPE standardization	**289,047**	-
Immunization programs	**170,231**	126,839
HISP Project-Loan interest	**-**	18,624
EMS overpayments	**(13,622)**	-
	2,325,019	1,336,893
Medical year end adjustments - 2004/2005	**(236,283)**	(236,496)
Medical year end adjustments - 2005/2006	**(424,983)**	-
Approved capital projects	**765,050**	845,126
	$ 2,428,803	$ 1,945,523

3. ACCOUNTS RECEIVABLE - MANITOBA HEALTH (continued)

In Globe Funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided by Manitoba Health.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficit related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

4. CAPITAL ASSETS

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 1,536,041**	**$ -**	**$ 1,536,041**	$ 1,536,041
Buildings	**96,067,826**	**31,472,731**	**64,595,095**	65,218,502
Major equipment	**49,659,479**	**38,984,362**	**10,675,117**	11,315,627
Construction in progress	**4,042,910**	**-**	**4,042,910**	4,436,700
	$ 151,306,256	**$ 70,457,093**	**$ 80,849,163**	$ 82,506,870

5. LONG TERM DEBT

	2007	2006
CMHC mortgage payable in monthly blended installments of $17,071 bearing interest at 6.45% due June 1, 2020. Secured by land and buildings with a net book value of $1,717,985.	$ **1,808,682**	$ 1,909,161
CMHC mortgage payable in monthly blended installments of $486 bearing interest at 5.875% due August 1, 2017. Secured by land and buildings with a net book value of $20,628.	**45,552**	48,646
CMHC mortgage payable in monthly blended installments of $5,683 bearing interest at 5.42% due November 1, 2017. Secured by land and buildings with a net book value of $320,862.	**553,023**	590,473
CMHC mortgage payable in monthly blended installments of $7,768 bearing interest at 10% due June 1, 2014. Secured by land and buildings with a net book value of $484,816.	**482,443**	526,042
CMHC mortgage payable in monthly blended installments of $887 bearing interest at 7.875% due August 1, 2020. Secured by land and buildings with a net book value of $28,780.	**88,642**	92,265
	2,978,342	3,166,587
Less: current portion	**199,247**	185,071
	$ **2,779,095**	$ 2,981,516

Estimated principal repayment requirements for the next five years are as follows:

2008	199,247
2009	212,713
2010	224,364
2011	238,246
2012	252,759
Thereafter	1,851,013

6. DEFERRED CONTRIBUTIONS

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted donations and grants received for future expenditures including capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2007	2006
Balance, beginning of year	$ **2,560,833**	$ 2,734,987
Additional contributions received	**2,756,030**	3,311,532
Amount transferred to capital assets	**(41,293)**	(1,190,113)
Less amounts amortized to revenue	**(2,565,408)**	(2,295,573)
	$ **2,710,162**	$ 2,560,833

6. DEFERRED CONTRIBUTIONS (continued)

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of grants and donations received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year prior to restatement	**$ 77,765,873**	$ 77,539,278
Additional contributions received	**3,123,940**	3,544,255
Amount transferred from expenses of future periods	**41,293**	1,190,113
Less amounts amortized to revenue	**(4,404,613)**	(4,507,773)
	$ 76,526,493	$ 77,765,873

7. NET ASSETS - INVESTED IN CAPITAL ASSETS

a) Invested in capital assets is calculated as follows:

	2007	2006
Capital assets	**$ 80,849,163**	$ 82,506,870
Amounts financed by:		
Deferred contributions	**(76,526,493)**	(77,765,873)
Long term debt	**(2,978,342)**	(3,166,587)
Working capital	**188**	91,252
	$ 1,344,516	$ 1,665,662

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess (deficiency) of revenues over expenses		
Amortization of deferred contributions related to capital assets	**$ 4,404,613**	$ 4,507,773
Amortization of capital assets	**(4,688,015)**	(4,711,644)
	(283,402)	(203,871)
Repayment of non-Manitoba Health funded long term debt	**188,245**	168,587
Investment in capital assets		
Purchase of capital assets	**3,030,308**	5,054,066
Amounts funded by deferred contributions	**(2,974,915)**	(4,734,368)
Amounts funded with working capital	**(281,382)**	35,380
	(225,989)	355,078
	$ (321,146)	$ 319,794

8. NET ASSETS - CONTRACT FACILITIES

Contract facilities - net assets represent the net assets, other than invested in capital assets, of the contract facilities that have been consolidated in the financial statements of the Authority.

The amounts are as follows:

	2007	2006
Internally restricted	$ 106,604	$ 99,974
Externally restricted	13,505	13,505
Unrestricted	1,099,515	853,342
	$ 1,219,624	$ 966,821

9. NET ASSETS - INTERNALLY RESTRICTED

The Board of Directors has restricted $276,773 (2006 - $276,773) in net assets to be used for the purchase of specified capital assets.

10. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to individual legal actions arising in the normal course of business. The effect of any contingent claims relating to these legal actions is not determinable at the date of the audit report.

b) The Healthcare Insurance Reciprocal of Canada ("HIROC") is an organization that pools the public liability insurance risks of all its members. The Authority may be subject to reassessment for losses, if any, experienced by the pool for the years in which it was a member, and these losses could be material. No reassessments have been made to March 31, 2007.

11. MANITOBA HEALTH REVENUE

Manitoba Health revenue includes the following:

	2007	2006
Revenue as per final approved budget	$ 141,628,343	$ 133,339,702
Province of Manitoba loan principal	(740,794)	(596,924)
Amounts recorded as deferred contributions	(750,124)	(750,124)
	140,137,425	131,992,654
Current year's estimated out of globe amounts	(398,968)	422,687
One time funding - contract settlements	1,673,181	674,980
One time funding - wait list	2,610,304	-
One time funding - EMS inter-facility transfer	75,985	-
One time funding - medical remuneration	(482,191)	-
One time funding - other	-	695,022
Prior years' funding adjustments	-	(195,970)
	$ 143,615,736	$ 133,589,373

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount of short-term financial assets and liabilities are reasonable estimates of their fair values because of the short maturity of those instruments. Short term financial assets are comprised of cash, short term investments and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities.

13. ECONOMIC DEPENDENCE

The Authority receives in excess of 80% of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for its continued operations.

14. ACCOUNTING TREATMENT FOR FOUNDATIONS

The Authority has not disclosed the inter-relationships nor the degree of economic dependence with its Foundations because none of the large number of organizations that make up this group are controlled by the Authority and the organizations are individually immaterial to the Authority as a whole.

15. RETIREMENT ENTITLEMENT OBLIGATIONS

a) Accrued Retirement Entitlement

The Authority's contractual commitment, based on an actuarial valuation, for the pre-retirement entitlement for all employees, is to pay out four days of salary per year of service upon retirement if the employee complies with one of the following conditions:

i) have ten years service and have reached age 55 or
ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee or
iii) retire at of after age 65 or
iv) terminate employment at any time due to permanent disability

The Authority undertook an actuarial valuation of the accrued retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (5.0% - 2006) and a rate of salary increase of 3.0% (3.0% - 2006) plus age related merit / promotion scale with actuarial derived provisions for disability.

Funding for the retirement obligation at March 31, 2004 in the amount of $9,106,000 has been set up as a non-current receivable from Manitoba Health.

b) Pension Plan

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for the employer contributions to the Plan to remain a constant percentage of employee' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2005, indicates a deficiency of actuarial value of net assets over actuarial present value of accrued pension benefits of $5,151,000 as well as a solvency deficiency of $39,344,000. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $5,555,003 (2006 - $4,790,000) and are included in the statement of operations.

15. RETIREMENT ENTITLEMENT OBLIGATIONS

b) Pension Plan (continued)

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

16. PRIOR PERIOD ADJUSTMENT

The adjustment represents an accumulation of years of consolidation entries related to deferred contributions - capital assets and pre-retirement leave expenditures. The impact on the financial statements is to decrease net asset amounts and increase deferred contributions - capital assets in the amount of $270,616, decrease contract facility net assets in the amount of $27,200 and decrease unrestricted net assets in the amount of $119,676 for a total change in net assets of $417,492.

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 1

Statement of Operations - Ancillary Operations

Year Ended March 31, 2007

	Elderly Person's Housing	Handivan	Retail Pharmacy	Contract Facilities	2007	2006
REVENUE						
Outside sources	$ 910,225	$ 54,733	$ 914,210	$ 167,466	**$ 2,046,634**	$ 1,935,273
Amortization of deferred contributions	72,012	29,926	-	4,336	**106,274**	131,150
	982,237	84,659	914,210	171,802	**2,152,908**	2,066,423
EXPENSES						
Operating	559,872	31,190	708,758	78,396	**1,378,216**	1,320,126
Amortization of capital assets	107,756	29,926	-	4,336	**142,018**	138,033
Interest on long term debt	166,133	-	-	-	**166,133**	198,811
Major repairs	122,654	8,972	-	-	**131,626**	146,573
	956,415	70,088	708,758	82,732	**1,817,993**	1,803,543
EXCESS OF REVENUE OVER EXPENSES	$ 25,822	$ 14,571	$ 205,452	$ 89,070	**$ 334,915**	$ 262,880

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 2

Statement of Financial Position - Segmented
March 31, 2007

	Devolved	Contract	**2007**	2006
ASSETS				
CURRENT				
Cash and short term investments	$ 5,511,567	$ 2,657,296	**$ 8,168,863**	$ 7,052,227
Accounts receivable, net	1,922,353	96,259	**2,018,612**	1,182,781
Accounts receivable - Manitoba Health	2,428,803	-	**2,428,803**	1,945,523
Inventories	1,028,182	117,238	**1,145,420**	1,254,134
Prepaid expenses	840,043	36,506	**876,549**	782,976
Due from Manitoba Health - vacation entitlements	6,674,688	1,101,240	**7,775,928**	7,775,928
	18,405,636	4,008,539	**22,414,175**	19,993,569
NON-CURRENT				
Due from Manitoba Health - retirement entitlements	7,845,000	1,261,000	**9,106,000**	9,106,000
Capital assets	71,535,217	9,313,946	**80,849,163**	82,506,870
Other assets	-	157,787	**157,787**	154,700
	$ 97,785,853	$ 14,741,272	**$ 112,527,125**	$ 111,761,139
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities	$ 9,084,402	$ 1,355,809	**$ 10,440,211**	$ 9,157,553
Accrued vacation entitlements	7,906,502	1,201,705	**9,108,207**	9,087,862
Current portion of long term debt	199,247	-	**199,247**	185,071
	17,190,151	2,557,514	**19,747,665**	18,430,486
NON-CURRENT				
Accrued retirement entitlements	8,830,400	1,193,783	**10,024,183**	9,641,226
Long term debt	2,779,095	-	**2,779,095**	2,981,516
	11,609,495	1,193,783	**12,803,278**	12,622,742
DEFERRED CONTRIBUTIONS				
Expenses of future periods	2,253,945	456,217	**2,710,162**	2,560,833
Capital assets	67,666,345	8,860,148	**76,526,493**	77,765,873
	69,920,290	9,316,365	**79,236,655**	80,326,706
NET ASSETS				
Invested in capital assets	890,530	453,986	**1,344,516**	1,665,662
Contract facilities	-	1,219,624	**1,219,624**	966,821
Internally restricted	276,773	-	**276,773**	276,773
Unrestricted	(2,101,386)	-	**(2,101,386)**	(2,528,051)
	(934,083)	1,673,610	**739,527**	381,205
	$ 97,785,853	$ 14,741,272	**$ 112,527,125**	$ 111,761,139

REGIONAL HEALTH AUTHORITY - CENTRAL MANITOBA INC.

Schedule 3

Statement of Operations - Segmented

Year Ended March 31, 2007

	Devolved	Contract	2007	2006
REVENUE				
Manitoba Health	$ 124,562,593	$ 19,053,143	**$ 143,615,736**	$ 133,589,373
Other government departments	297,197	-	**297,197**	1,335,363
Non-global patient and resident income	8,387,265	3,387,890	**11,775,155**	11,528,301
Other income	4,331,427	731,010	**5,062,437**	5,248,013
Amortization of deferred contributions - operating	2,284,270	220,784	**2,505,054**	2,295,573
Amortization of deferred contributions - capital and foundations	3,916,100	442,592	**4,358,692**	4,376,623
Interest and donations	365,526	20,658	**386,184**	287,690
Ancillary operations	1,981,106	171,802	**2,152,908**	2,066,423
	146,125,484	24,027,879	**170,153,363**	160,727,379
EXPENSES				
Acute care services	56,577,506	1,406,326	**57,983,832**	56,481,830
Long term care services	29,729,971	15,211,662	**44,941,633**	43,017,691
Medical remuneration	9,873,370	1,905,497	**11,778,867**	10,673,128
Community based therapy services	2,109,889	-	**2,109,889**	1,893,466
Community based mental health services	2,536,568	4,298,938	**6,835,506**	7,310,070
Community based home care services	16,628,574	-	**16,628,574**	14,675,845
Community based health services	5,092,287	127,925	**5,220,212**	6,063,690
Land ambulance	5,478,220	-	**5,478,220**	4,895,856
Regional health authority undistributed	9,795,784	-	**9,795,784**	9,467,185
Interest on long term debt	439,736	-	**439,736**	364,646
Pre-retirement leave	1,065,361	104,139	**1,169,500**	1,762,336
Amortization of capital assets	4,024,229	521,766	**4,545,995**	4,573,611
Major repairs	441,152	169,656	**610,808**	449,065
Donations to foundations	-	21,000	**21,000**	22,000
Ancillary operations	1,735,261	82,732	**1,817,993**	1,803,543
	145,527,908	23,849,641	**169,377,549**	163,453,962
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	$ 597,576	$ 178,238	**$ 775,814**	$ (2,726,583)
ALLOCATION OF EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES				
Capital and donations to foundations	$ (549,281)	$ (269,830)	**$ (819,111)**	$ (668,053)
Interest and donations	365,526	20,658	**386,184**	287,690
Ancillary operations	245,845	89,070	**334,915**	262,880
Health care operations	535,486	338,340	**873,826**	(2,609,100)
TOTAL	$ 597,576	$ 178,238	**$ 775,814**	$ (2,726,583)

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Auditors' Report

To the Board of Directors of
SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

We have audited the consolidated statement of financial position of **SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.** as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 25, 2007

BDO Dunwoody LLP *is a Limited Liability Partnership registered in Ontario*
BDO Dunwoody s.r.l. *est une société à responsabilité limitée constituée en Ontario*

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31			2007	2006
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Assets				
Current Assets				
Cash	$ 947,115	$ 148,737	$ 1,095,852	$ 1,580,518
Accounts receivable (Note 1)	940,094	423,439	1,363,533	1,426,403
Due from Manitoba Health (Note 3)	790,817	11,225	802,042	407,528
Inventories	1,281,612	81,559	1,363,171	988,351
Prepaid expense	228,065	19,209	247,274	236,266
Vacation entitlements receivable (Note 2)	2,165,279	488,270	2,653,549	2,653,549
	6,352,982	1,172,439	7,525,421	7,292,615
Retirement obligations receivable (Note 2)	1,898,575	458,577	2,357,152	2,357,152
Restricted assets (Note 4)	215,604	-	215,604	198,317
Capital assets (Note 5)	40,300,455	11,669,123	51,969,578	50,855,428
	$48,767,616	$13,300,139	$62,067,755	$60,703,512

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Financial Position

March 31			2007	2006
	Regional Health Authority	Contract Facilities	Consolidated	Consolidated
Liabilities and Net Assets				
Current Liabilities				
Bank indebtedness (Note 6)	$ -	$ 301,635	$ 301,635	$ 170,680
Accounts payable and accrued liabilities	4,099,070	639,770	4,738,840	3,827,671
Accrued vacation entitlements (Note 2)	2,535,210	662,798	3,198,008	2,949,098
Current portion of long-term debt (Note 7)	-	168,640	168,640	168,640
Unearned revenue	214,937	7,572	222,509	423,160
	6,849,217	1,780,415	8,629,632	7,539,249
Accrued retirement obligations (Note 13)	2,853,122	458,577	3,311,699	3,008,870
Long-term debt (Note 7)	-	422,859	422,859	652,750
Deferred Contributions (Note 8)				
Expenses of future periods	976,693	181,246	1,157,939	1,277,852
Capital assets	38,270,746	10,905,790	49,176,536	49,067,861
	39,247,439	11,087,036	50,334,475	50,345,713
Commitments and contingencies (Note 11)				
Net Assets				
Investment in capital assets	2,029,709	171,834	2,201,543	966,177
Externally restricted - Contract Facilities	-	(620,582)	(620,582)	(368,867)
Externally restricted (Note 4)	215,604	-	215,604	198,317
Unrestricted	(2,427,475)	-	(2,427,475)	(1,638,697)
	(182,162)	(448,748)	(630,910)	(843,070)
	$ 48,767,616	$ 13,300,139	$ 62,067,755	$ 60,703,512

Approved on behalf of the Board:

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Operations

For the year ended March 31			**2007**	2006
	Regional Health Authority	**Contract Facilities**	**Consolidated**	Consolidated
Revenue				
Province of Manitoba				
Health (Note 10)	**$ 49,873,112**	**$ 7,809,954**	**$ 57,683,066**	$ 53,770,387
Other	**952,176**	**-**	**952,176**	729,181
Government of Canada	**264,611**	**81,925**	**346,536**	406,331
Non-insured income	**2,513,410**	**2,054,118**	**4,567,528**	4,339,568
Other income and recovered services	**250,550**	**7,397**	**257,947**	216,531
Ambulance income	**559,407**	**-**	**559,407**	555,153
Amortization of deferred contributions	**2,145,002**	**416,502**	**2,561,504**	2,826,284
	56,558,268	**10,369,896**	**66,928,164**	62,843,435
Expenditures				
Acute care services	**18,819,604**	**-**	**18,819,604**	17,708,926
Long-term care services	**7,613,347**	**10,144,452**	**17,757,799**	16,736,646
Community based home care services	**11,351,267**	**-**	**11,351,267**	10,707,567
Community based health services	**4,906,323**	**-**	**4,906,323**	4,790,092
Medical remuneration	**3,669,778**	**-**	**3,669,778**	3,493,565
Diagnostic services	**2,962,141**	**-**	**2,962,141**	2,929,397
Amortization of capital assets	**2,145,002**	**416,502**	**2,561,504**	2,826,284
Community based mental health services	**1,996,734**	**-**	**1,996,734**	1,882,637
Emergency Medical Services	**1,808,211**	**-**	**1,808,211**	1,646,477
Regional Health Authority costs	**1,102,501**	**-**	**1,102,501**	1,357,909
Interest on long-term debt	**-**	**34,389**	**34,389**	39,219
	56,374,908	**10,595,343**	**66,970,251**	64,118,719
Excess (deficiency) of revenue over expenditures before other item	**183,360**	**(225,447)**	**(42,087)**	(1,275,284)
Other Item				
Retirement obligation funding received 2005/06	**236,960**	**-**	**236,960**	-
Excess (deficiency) of revenue over expenditures for the year	**$ 420,320**	**$ (225,447)**	**$ 194,873**	$ (1,275,284)
Allocated as follows				
Externally restricted	**$ -**	**$ (225,447)**	**$ (225,447)**	$ (526,430)
Unrestricted	**420,320**	**-**	**420,320**	(748,854)
	$ 420,320	**$ (225,447)**	**$ 194,873**	$ (1,275,284)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Consolidated Statement of Changes in Net Assets

For the year ended March 31					2007	2006
	Investment in Capital Assets (Note 9)	Externally Restricted - Contract Facilities	Externally Restricted (Note 4)	Unrestricted	Total	Total
Balance, beginning of year	$ 966,177	$ (368,867)	$ 198,317	$ (1,638,697)	$ (843,070)	$ 440,275
Interest revenue	-	-	17,787	-	17,787	12,613
Expenditures during year	-	-	(500)	-	(500)	(20,674)
Excess (deficiency) of revenue over expenditures for the year	-	(225,447)	-	420,320	194,873	(1,275,284)
Net changes in investment in capital assets (Note 9)	1,235,366	(26,268)	-	(1,209,098)	-	-
Balance, end of year	$ 2,201,543	$ (620,582)	$ 215,604	$ (2,427,475)	$ (630,910)	$ (843,070)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.

Consolidated Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ 194,873	$ (1,275,284)
Net income (expenditure) of restricted net assets	17,287	(8,061)
Adjustments for		
Amortization of capital assets	2,561,504	2,826,284
Amortization of deferred contributions related to capital assets	(2,561,504)	(2,826,284)
Deferred contributions - expenses of future periods		
Receipts	78,754	39,257
Expenditures	(226,321)	(115,810)
	64,593	(1,359,898)
Changes in non-cash working capital		
Accounts receivable	62,870	(317,664)
Due from Manitoba Health	(394,514)	(808,405)
Inventories	(374,820)	(218,722)
Prepaid expense	(11,008)	(93,671)
Accounts payable and accrued liabilities	911,169	841,253
Accrued vacation entitlements	248,910	212,539
Unearned revenue	(200,651)	105,027
	241,956	(279,643)
Accrued retirement obligations	302,829	468,241
	609,378	(1,171,300)
Cash Flows from Investing Activities		
(Increase) decrease in restricted assets	(17,287)	108,061
Purchase of capital assets	(3,675,654)	(2,741,954)
	(3,692,941)	(2,633,893)
Cash Flows from Financing Activities		
Repayment of long-term debt	(229,891)	(228,664)
Receipt of deferred contributions related to capital assets	2,697,833	3,088,333
	2,467,942	2,859,669
Net decrease in cash and cash equivalents	(615,621)	(945,524)
Cash and cash equivalents, beginning of year	1,409,838	2,355,362
Cash and cash equivalents, end of year	$ 794,217	$ 1,409,838
Represented by		
Cash	$ 1,095,852	$ 1,580,518
Bank indebtedness	(301,635)	(170,680)
	$ 794,217	$ 1,409,838
Supplementary Information		
Interest paid	$ 34,389	$ 39,219

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

SOUTH EASTMAN HEALTH/SANTÉ SUD-EST INC.
Summary of Significant Accounting Policies

March 31, 2007

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Entity Definition and Basis of Financial Statements

South Eastman Health/Santé Sud-Est Inc. was incorporated under the laws of the Province of Manitoba on January 2, 1996. The Authority commenced providing health care services on April 1, 1997 in the southeastern region of Manitoba. The Authority is a registered charity under The Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of The Income Tax Act are met.

Under the Regional Health Authorities and Consequential Amendments Act, the Authority entered into negotiations with all health care facilities in the region to either transfer those facilities' operations, property, liabilities and obligations to the Authority or to operate as a contract facility funded by the Authority. These negotiations have been completed. Obligations under these agreements are detailed further in Note 4.

Three facilities within the region operate under contract arrangements for funding with the Authority. They are Rest Haven Nursing Home, Menno Home for the Aged and Villa Youville Inc. - Nursing. The operations of these facilities have been consolidated in these financial statements as the Authority exercises significant influence over them by virtue of acting as funding agent. Any non-Manitoba Health funded activities of these facilities (i.e. apartments, seniors' housing) have been excluded from these financial statements.

Revenue Recognition

The Authority follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Services Insurance Act and regulations thereto, the Authority is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements with Manitoba Health with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by Manitoba Health after completion of their review of the Authority's accounts.

Revenue Recognition (continued)

In Globe Funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe Funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care and Emergency Response and Transport. All additional costs in these five service categories must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to global funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Regional Health Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe Funding is funding approved by Manitoba Health for specific programs.

Any operating surpluses related to Out of Globe funding arrangements are recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements are recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

Any adjustments will be reflected in the year the final statement of recommended costs is received from Manitoba Health.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue Recognition (continued)

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue in the year in which it is earned.

Inventories

Inventories are valued at the lower of cost and net realizable value, cost being determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Authority's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2% to 2.5%
Major equipment	10% to 20%

Use of Estimates

In preparing the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenditures during the period. Actual results could differ from these estimates.

Financial Instruments	The Authority's financial instruments consist of cash, accounts receivable, bank indebtedness, accounts payable, amounts due from Manitoba Health and long-term debt. Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

1. Accounts Receivable

	2007	2006
Receivables from patients	$ 184,749	$ 174,233
Receivables from residents	65,615	55,122
Goods and services tax	193,752	149,533
Due from related parties of Contract facilities	31,462	20,915
Lease purchases to be financed	-	33,765
The Bethesda Foundation Inc.	55,689	87,786
Ste. Anne Foundation - LDRP project	242,106	242,106
Other		
RHA	283,479	415,750
Contract facilities	306,681	247,193
	$ 1,363,533	$ 1,426,403

2. Employee Current and Future Benefits Recoverable from Manitoba Health

Employee pre-retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the pre-retirement obligations receivable and payable are classified as long-term whereas the vacation entitlements receivable are classified as current.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the Authority this outstanding receivable which will be paid when required. Any liability in excess of the March 31, 2004 amount will be reflected as a current year expense on the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. The accounting policy is consistent with that advocated and followed by Manitoba Health, a related party. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

3. Due from (to) Manitoba Health

	2007	2006
In Globe		
Immunization funding	$ 97,778	$ 77,132
Interfacility transfers - EMS	159,965	-
Supportive Housing	42,200	-
Other	44,465	9,377
Out of Globe		
MAHCP wage standardization	372,500	470,800
MGEU wage standardization	247,757	476,100
Capital funding 2005/06	-	173,275
Capital funding 2006/07	182,934	-
Medical remuneration 2003/04	-	(63,114)
Medical remuneration 2004/05	-	(389,857)
Medical remuneration 2005/06	-	(346,185)
Medical remuneration 2006/07	(345,557)	-
	$ 802,042	$ 407,528

4. Restricted Assets

The Authority entered and completed negotiations with the health facilities in the region to have their obligations, property, and liabilities transferred to the Authority. The Authority agreed to use prior operating surpluses to promote health within the specific districts. These operating surpluses were as follows:

	De Salaberry District Health Centre	Ste. Anne Hospital	Bequests	Total
Balance, beginning of year	$ 57,816	$ 13,931	$ 126,570	$ 198,317
Interest	10,759	1,810	5,218	17,787
2006/2007 expenditures	-	-	(500)	(500)
Balance, end of year	$ 68,575	$ 15,741	$ 131,288	$ 215,604

In addition, the Authority received a restricted bequest which will be used for long-term care at Bethesda Place.

5. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 693,088**	**$ -**	$ 693,088	$ -
Buildings	**56,855,443**	**14,537,017**	56,524,521	13,208,857
Major equipment	**21,800,190**	**14,919,159**	19,586,809	13,685,817
Construction in progress	**2,077,033**	**-**	945,684	-
	$ 81,425,754	**$ 29,456,176**	$ 77,750,102	$ 26,894,674
Cost less accumulated amortization		**$ 51,969,578**		$ 50,855,428

6. Bank Indebtedness

The Authority has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $2,700,000. The line of credit bears interest at Royal Bank prime less 0.80% and is supported by an authorization letter from Manitoba Health and assignment of fire insurance covering property of every description.

In addition, the contract facilities have approved operating lines of credit with various financial institutions for an aggregate of $395,000. The lines of credit bear interest at prime to prime plus 1% and are supported by authorization letters from Manitoba Health and general security agreements.

7. Long-Term Debt

Long-term debt to be funded by the Authority and its contract facilities is as follows:

	2007	2006
Bank loans payable	$ **591,499**	$ 821,390
Less: current portion of long-term debt	**168,640**	168,640
Remaining long-term debt to be funded by the Authority and its contract facilities	$ **422,859**	$ 652,750

The bank loans payable bear interest between prime less 0.25% and 0.8%, require monthly principal payments of $14,053 and are secured by a general security agreement with a specific lien over municipal funding to Villa Youville-Nursing.

Principal payments due in the next five years are as follows:

2008	$ 168,640
2009	93,480
2010	80,640
2011	80,640
2012	80,640

8. Deferred Contributions

a) Expenses of future periods

Deferred contributions related to expenses of future periods represent the unspent amount of donations, grants received and grants for major repairs and construction projects.

	2007	2006
Balance, beginning of year	**$ 1,277,852**	$ 1,227,916
Additional amounts received during year	**78,754**	39,257
Less 2006/2007 expenditures	**(226,321)**	(115,810)
Transfers (to) from deferred contributions - capital assets	**27,654**	126,489
Balance, end of year	**$ 1,157,939**	$ 1,277,852

b) Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of deferred capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donations, grants or approved borrowings.

Changes in the deferred contribution balance are as follows:

	2007	2006
Balance, beginning of year	**$ 49,067,861**	$ 48,932,301
Additional contributions received, net	**2,697,833**	3,088,333
Transfers to deferred contributions - expenses of future periods	**(27,654)**	(126,489)
Less amounts amortized to revenue	**(2,561,504)**	(2,826,284)
Balance, end of year	**$ 49,176,536**	$ 49,067,861

9. Investment in Capital Assets

a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	**$ 51,969,578**	$ 50,855,428
Amounts financed by		
Deferred contributions	**49,176,536**	49,067,861
Long-term debt	**591,499**	821,390
	$ 2,201,543	$ 966,177

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of revenue over expenditures		
Amortization of deferred contributions related to capital assets	**$ 2,561,504**	$ 2,826,284
Amortization of capital assets	**(2,561,504)**	(2,826,284)
	$ -	$ -

	2007	2006
Net changes in investment in capital assets		
Purchase of capital assets (net)	**$ 3,675,654**	$ 2,741,954
Amounts funded by		
Manitoba Health funding	**(2,021,704)**	(2,344,302)
Donations	**(676,129)**	(744,031)
Transfers to (from)		
Deferred contributions - expenses of future periods (net)	**27,654**	126,489
Repayment of long-term debt	**229,891**	228,664
	$ 1,235,366	$ 8,774

10. Revenue from Manitoba Health

	2007
Revenue from Manitoba Health	
Revenue as per Manitoba Health's final funding document	$ 59,087,302
Add: Manitoba Department of Finance reallocations	358,230
Wage standardization	165,739
	59,611,271
Deduct:	
Pre-retirement leave	236,960
Medical remuneration	401,357
Total Funding Approved by Manitoba Health	58,972,954
Deduct: Amounts recorded as deferred contributions	
- expenses of future periods	(24,155)
- capital assets	(1,265,733)
Revenue from Manitoba Health	$ 57,683,066

11. Commitments and Contingencies

a) The nature of the health care industry's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007, management believes the Authority has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Authority's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

The Authority's coverage also includes contract facilities as named insured parties.

c) At March 31, 2007, minimum annual lease payments under operating leases for premises expiring 2021 are $ 111,804 to be adjusted annually for inflation.

11. Commitments and Contingencies (continued)

d) The Authority has entered into operating leases with The Royal Bank of Canada for equipment. The Authority has approved lease financing available through Royal Bank Leasing Inc. to a maximum of $500,000 with $175,000 unutilized at March 31, 2007. The equipment is leased at a monthly cost of $12,642, under leases expiring on or before November 2011. The estimated annual lease payments for the next five years are as follows:

2008	$ 137,314
2009	110,705
2010	43,779
2011	19,921
2012	13,281

12. Pension Plan

Substantially all of the employees of the Authority are members of the Healthcare Employees Pension Plan (a successor of the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.6% of salary below $43,700 and 8.2% of salary over $43,700 contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the Plan is in a deficit; however, it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Authority on behalf of its employees amounted to $1,618,657 (2006 - $1,456,179) and are included in the statement of operations.

The remainder of employees are members of the Province of Manitoba's defined benefit Civil Service Superannuation Plan. Liability for variances between actuarial funding estimates and actual experience lies with the Province.

13. Accrued Retirement Obligations

Accrued retirement obligations are based on an actuarial valuation as at March 31, 2007.

The RHA's contractual commitment for the pre-retirement entitlement for members of the Health Employee Pension Plan is to pay out four days of salary for each year of service upon retirement if the employee complies with one of the following conditions:

- has ten years service and has reached the age of 55 or;
- qualifies for the "eighty" rule which is calculated by adding the number of years service to the age of the employee or;
- retires at or after age 65 or;
- terminates employment at any time due to permanent disability

The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawals rates, a discount rate of 4.85% (5.0% in 2006) and a rate of salary increase of 3.0% (3.0% in 2006) plus an age related merit/promotion scale with no provision for disability.

WINNIPEG REGIONAL HEALTH AUTHORITY

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING
FINANCIAL STATEMENTS
MARCH 31, 2007

The accompanying financial statements are the responsibility of management and have been approved by the Authority. The financial statements were prepared in accordance with Canadian generally accepted accounting principles and of necessity include some amounts that are based on estimates and judgements.

To discharge its responsibility for the integrity and objectivity of financial reporting, management maintains a system of internal accounting controls comprising written policies, standards and procedures, a formal authorization structure, and satisfactory processes for reviewing internal controls. This system is designed to provide management with reasonable assurance that transactions are in accordance with governing legislation, are properly authorized, reliable financial records are maintained, and assets are adequately accounted for and safeguarded.

Deloitte & Touche LLP provides an independent audit of the financial statements. Their examination is conducted in accordance with Canadian generally accepted auditing standards and includes tests and other procedures, which allow them to report on the fairness of the financial statements prepared by management.

Dr. Brian D. Postl	Paul A. Kochan, FCA
President & Chief Executive Officer	Vice-President & Chief Financial Officer

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AUDITORS' REPORT

To the Directors of
Winnipeg Regional Health Authority

We have audited the statement of financial position of Winnipeg Regional Health Authority (the "Authority") as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Winnipeg, Manitoba
June 21, 2007

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Operations
For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006 (Restated - Note 20)
REVENUE		
Manitoba Health operating income	**$ 1,685,339**	$ 1,588,809
Manitoba Health pre-retirement income	**17,168**	2,759
Other income (Schedule 1)	**81,347**	66,853
Amortization of deferred contributions, capital	**36,524**	33,131
Recognition of deferred contributions, future expenses	**5,516**	10,475
	1,825,894	1,702,027
EXPENSES		
Direct operations	**1,185,031**	1,109,432
Pre-retirement	**8,450**	22,056
Amortization of capital assets	**37,380**	33,681
	1,230,861	1,165,169
FACILITY FUNDING		
Acute care facility funding (Schedule 2)	**314,464**	294,623
Long term care facility funding (Schedule 3)	**228,808**	219,351
Community health agency funding (Schedule 4)	**27,336**	24,489
Adult day care facility funding (Schedule 5)	**2,815**	2,834
Long term care community therapy services	**632**	632
GRANT FUNDED		
Grants to facilities and agencies (Schedule 6)	**15,487**	17,358
	1,820,403	1,724,456
OPERATING SURPLUS (DEFICIT)	**5,491**	(22,429)
Add		
Non-insured services net surplus	**4,743**	2,447
NET SURPLUS (DEFICIT)	**$ 10,234**	$ (19,982)

APPROVED BY THE BOARD

.... Director

.... Director

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Financial Position
As at March 31, 2007
(in thousands of dollars)

		2007		2006
ASSETS				(Restated - Note 20)
CURRENT				
Cash and marketable securities	**$**	**72,623**	$	64,919
Accounts receivable (Note 3)		**64,951**		46,376
Inventory		**13,084**		11,591
Prepaid expenses		**8,226**		4,971
Employee benefits recoverable from Manitoba Health (Note 4)		**78,675**		78,675
		237,559		206,532
CAPITAL ASSETS (Note 5)		**642,581**		594,854
OTHER ASSETS				
Employee future benefits recoverable from Manitoba Health (Note 18)		**82,302**		82,302
Specific purpose funds (Note 6)		**37,275**		36,190
Nurse recruitment and retention fund (Note 10)		**3,419**		3,990
	$	**1,003,136**	$	923,868
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued liabilities (Note 7)	**$**	**135,195**	$	113,376
Employee benefits payable (Note 4)		**85,359**		81,966
Current portion of long term debt (Note 8)		**9,643**		2,313
		230,197		197,655
LONG TERM DEBT AND DEFERRED CONTRIBUTIONS				
Long term debt (Note 8)		**13,896**		23,141
Employee future benefits payable (Note 18)		**105,492**		103,799
Specific purpose funds (Note 6)		**37,275**		36,190
Deferred contributions (Note 9)		**574,882**		531,352
Nurse recruitment and retention fund (Note 10)		**3,419**		3,990
		965,161		896,127
NET ASSETS		**37,975**		27,741
COMMITMENTS AND CONTINGENCIES (Note 13)				
	$	**1,003,136**	$	923,868

WINNIPEG REGIONAL HEALTH AUTHORITY

Statement of Changes in Net Assets

For the year ended March 31, 2007

(in thousands of dollars)

	2007										2006
		Unrestricted			Internally Restricted						
	Investment in Capital Assets (Note 11)	Operating	Unfunded Pre-retirement Benefits	Total Unrestricted	Laundry Capital Assets	Pan Am Capital Assets	Telehealth Capital Assets	Seven Oaks Ancillaries & Wellness Institute	Total Internally Restricted	Total	Total (Restated - Note 20)
Balance, beginning of year	$ 40,420	$ 8,042	$ (24,640)	$ (16,598)	$ 569	$ 512	$ -	$ 2,838	$ 3,919	$ 27,741	$ 48,913
Prior period adjustment:											
Deferred contributions (Note 20)	-	-	-	-	-	-	-	-	-	-	(1,251)
Amortization of capital assets (Note 20)	-	-	-	-	-	-	-	-	-	-	18
Accrued vacation pay (Note 20)	-	-	-	-	-	-	-	-	-	-	(17)
Amortization of Deferred contributions(Note 20)	-	-	-	-	-	-	-	-	-	-	60
Adjusted balance, beginning of yea	40,420	8,042	(24,640)	(16,598)	569	512	-	2,838	3,919	27,741	47,723
Net (deficit) surplus	(3,551)	5,067	8,718	13,785	-	-	-	-	-	10,234	(19,982)
Purchases of capital assets	8,218	(7,681)	-	(7,681)	(330)	-	-	(207)	(537)	-	-
Net Asset Restrictions	-	(1,629)	-	(1,629)	372	341	457	459	1,629	-	-
Balance, end of year	$ 45,087	$ 3,799	$ (15,922)	$ (12,123)	$ 611	$ 853	$ 457	$ 3,090	$ 5,011	$ 37,975	$ 27,741

WINNIPEG REGIONAL HEALTH AUTHORITY
Statement of Cash Flows
For the year ended March 31, 2007
(in thousands of dollars)

		2007		2006 (Restated - Note 20)
OPERATING ACTIVITIES				
Net surplus (deficit)	$	**10,234**	$	(19,982)
Items not affecting cash				
Amortization of capital assets		**43,348**		38,872
Amortization of deferred contributions related to capital assets		**(39,797)**		(35,662)
Recognition of deferred contributions related to future expenses		**(5,519)**		(10,476)
Net change in employee future benefits		**5,086**		17,357
		13,352		(9,891)
Changes in non-cash operating working capital items		**(1,504)**		(5,375)
Deferred contributions received - future expenses		**11,457**		2,423
		23,305		(12,843)
FINANCING ACTIVITIES				
Deferred contributions received - capital assets		**77,389**		81,192
Long term debt repayments		**(1,915)**		(2,359)
		75,474		78,833
INVESTING ACTIVITIES				
Purchase of capital assets		**(91,075)**		(98,213)
INCREASE (DECREASE)		**7,704**		(32,223)
CASH AND MARKETABLE SECURITIES, BEGINNING OF YEAR		**64,919**		97,142
CASH AND MARKETABLE SECURITIES, END OF YEAR	$	**72,623**	$	64,919
Comprised of:				
Cash	$	**25,652**	$	12,339
Marketable securities		**46,971**		52,580
Total	$	**72,623**	$	64,919
Supplementary Information:				
Interest paid	$	**621**	$	1,838

1. NATURE OF BUSINESS

The Winnipeg Regional Health Authority ("the Authority", WRHA) was established on December 1, 1999. The Authority provides community health services directly through its operations of Home Care, Mental Health and Public Health and provides acute care services through its Health Sciences Centre, Deer Lodge Centre, and Pan Am Clinic sites. Acute care services are also provided by Concordia Hospital, Seven Oaks General Hospital, Victoria General Hospital, The Salvation Army Grace General Hospital ("the Community Hospitals") and the three other urban hospitals, Misericordia Health Centre, Riverview Health Centre, Inc., St. Boniface General Hospital ("the Other Hospitals"), and the Manitoba Adolescent Treatment Centre. Long term care, community health and other health services are delivered in the region through non-proprietary and proprietary personal care homes and community health agencies as well as through a number of non-profit organizations.

The Authority is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

a) *The reporting entity*

The scope of the Authority's operations is classified into these four distinct segments:

i. Direct Operations provided through:
   - Direct Ownership – Home Care services, Mental Health services, Public Health services, Primary Care services, Acute Care services (Health Sciences Centre, Deer Lodge Centre and Pan Am sites), and medical remuneration.
   - Agreement – the Community Hospitals by means of agreements to further regionalization and operating agreements.

ii. Acute Care services – provided through the Other Hospitals and the Manitoba Adolescent Treatment Centre by means of operating agreements.

iii. Long Term Care and Community Health services – provided through non-proprietary and proprietary personal care homes and community health agencies by means of service purchase agreements.

iv. Other Health services – provided through various agencies by means of grant funding mechanisms.

The facilities in (ii) are non-consolidated controlled entities (see note 2b.)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) *Definition of controlled entity*

The Authority is the majority funder of the Community Hospitals and the Other Hospitals which act as the Authority's agents in providing health care services mandated by the Province of Manitoba. These health care services are delivered under the control of the Authority from an accounting perspective. This determination of control is based largely on the fact that the Other and Community Hospitals' purposes are integrated with that of the WRHA such that the Other and Community Hospitals and the WRHA have common and complementary objectives. Moreover, due to the existence of operating agreements between the Authority and the Other and Community Hospitals, the WRHA has the power to determine the strategic operating, investing and financing policies of the Other and Community Hospitals.

Additionally, the Deer Lodge Centre Foundation has been deemed a controlled entity by virtue of the fact that its purpose is to raise funds for the Deer Lodge Centre.

As permitted by Canadian generally accepted accounting principles, the controlled Community Hospitals have been consolidated into the Authority's financial statements due to the nature of the agreements in existence, while the controlled Other Hospitals have not. Note 12 provides a financial summary of these controlled non-consolidated entities.

c) *Revenue recognition*

The Authority follows the deferral method of accounting for contributions:

i. Operating contributions – recorded as revenue in the period to which they relate.

ii. Unrestricted contributions – recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

iii. Externally restricted contributions – recognized as revenue in the year in which the related expenses are recognized.

iv. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

v. Contributions approved but not received at the end of an accounting period are accrued. Where a portion of a contribution relates to a future period, it is deferred and recognized in that subsequent period.

The Authority is funded by the Province of Manitoba using Manitoba Health funding mechanisms. These financial statements use funding mechanisms approved by Manitoba Health for the year ended March 31, 2007.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *Investments*

Investments in marketable securities are recorded at cost. Market value of the investments at March 31, 2007 is $46,825 (cost - $46,971), March 31, 2006 - $52,538 (cost $52,580). If the market value of the investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

e) *Medical, drugs and other supplies*

Medical, drugs and other supplies are valued at average cost and expensed when put into use.

f) *Linen and bedding inventory*

Linen and bedding inventory is recorded at cost and expensed when put into use.

g) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Capital assets are amortized on a straight-line basis using an annual rate of:

Buildings	2-6%
Improvements to land & buildings	4-20%
Equipment	5-33%
Computer hardware/software	10-20%
Furniture	5-20%
Leasehold improvements	over the life of the lease
Facility upgrades	5%
Start-up costs	33 1/3%

h) *Financial instruments*

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Authority's accounts receivable are comprised mostly of amounts due from the Government of Manitoba and from the sites that it funds, minimizing credit risk.

Interest rate risk

Interest rate risk is the risk arising from fluctuations in short term interest rates and the volatility of those rates. The Authority mitigates this risk by retaining the option to convert all floating rate borrowings to fixed rate borrowings.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) *Financial instruments (continued)*

Fair value

The carrying amounts of short-term financial assets and liabilities are a reasonable estimate of the fair values because of the short maturity of those instruments. Short-term financial assets are comprised of cash and marketable securities, accounts receivable and employee benefits recoverable from Manitoba Health. Short-term financial liabilities are comprised of accounts payable and accrued liabilities, employee benefits payable and current portion of long term debt.

The fair value of the long term asset employee future benefits recoverable from Manitoba Health and the long term liability employee future benefits payable could not be determined because there are no specific terms of repayment.

i) *Surplus retention and use policy*

Hospitals, non-proprietary personal care homes, and community health agencies are eligible to retain insured services surpluses based on an agreed upon formula. The retainable portion of the surplus is recorded on the site's Statement of Financial Position as deferred contributions.

j) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. The amounts estimated by management include amortization of capital assets and allowance for doubtful accounts in the amount of $399 (2006 - $428).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) *Due to/from Manitoba Health*

In Globe funding

In Globe funding is funding approved by Manitoba Health for Regional Health Authority programs unless otherwise specified as Out of Globe funding. This includes volume changes and price increases for the five service categories of Acute Care, Long Term Care, Community and Mental Health, Home Care, and Emergency Response and Transport. All additional costs in these five service areas must be absorbed from within the global funding provided.

Any operating surplus greater than 2% of budget related to In Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Under Manitoba Health policy, the Authority is responsible for In Globe deficits, unless otherwise approved by Manitoba Health.

Out of Globe funding

Out of Globe funding is funding approved by Manitoba Health for specific programs.

Any operating surplus related to Out of Globe funding arrangements is recorded on the statement of financial position as a payable to Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines what portion of the approved surplus may be retained by the Authority, or repaid to Manitoba Health.

Conversely, any operating deficits related to Out of Globe funding arrangements is recorded on the statement of financial position as a receivable from Manitoba Health until such time as Manitoba Health reviews the financial statements. At that time, Manitoba Health determines their final funding approvals which indicate the portion of the deficit that will be paid to the Authority. Any unapproved costs not paid by Manitoba Health are absorbed by the Authority.

l) *Internally restricted net assets*

The Authority has allocated some of the net assets to future capital purchases through internal restrictions by the Boards of Directors.

3. ACCOUNTS RECEIVABLE

		2007		2006 (Restated - Note 20)
Manitoba Health - operating and capital	**$**	**35,152**	$	15,151
Facility advances and receivables		**5,818**		11,010
Patient related and other		**23,981**		20,215
	$	**64,951**	$	46,376

4. EMPLOYEE BENEFITS

The Authority records a provision for employee benefits including accrued vacation, overtime, and statutory holiday entitlements. Prior to March 31, 2004 changes in the liability related to employee benefits were recoverable from Manitoba Health. Manitoba Health advised that changes subsequent to March 31, 2004 are no longer recoverable and must be included in the current year operations.

An analysis of the changes in the employee benefits recoverable from Manitoba Health is as follows:

		2007		2006 (Restated - Note 20)
Balance, beginning of year	**$**	**78,675**	$	78,675
Balance, end of year	**$**	**78,675**	$	78,675

An analysis of the changes in the employee benefits payable is as follows:

Balance, beginning of year	**$**	**81,966**	$	80,379
Increase in vacation / overtime / statutory holidays entitlements		**3,393**		1,587
Balance, end of year	**$**	**85,359**	$	81,966

5. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value (Restated - Note 20)
Land	$ 7,745	$ -	$ 7,745	$ 7,190
Buildings	528,580	215,507	313,073	305,627
Improvements to land & buildings	29,324	10,512	18,812	16,148
Equipment	453,900	356,841	97,059	98,385
Computer hardware	16,285	11,770	4,515	5,765
Computer software	1,357	1,344	13	23
Furniture	5,743	2,188	3,555	3,747
Leasehold improvements	6,593	2,802	3,791	4,375
Facility upgrades	-	-	-	3,489
Construction in progress	194,018	-	194,018	150,105
Start-up costs	2,856	2,856	-	-
	$ 1,246,401	$ 603,820	$ 642,581	$ 594,854

6. SPECIFIC PURPOSE FUNDS

Cash and investments held for specific purposes include the following:

	2007	2006 (Restated - Note 20)
Cash and marketable securities, at cost	$ 37,275	$ 36,190

The Authority maintains numerous research, trust and clearing accounts designated for specific purposes. An analysis of the changes in these funds is as follows:

	2007	2006 (Restated - Note 20)
Balance, beginning of year	$ 36,190	$ 35,729
Grants, bequests and donations	18,862	20,268
Investment income	1,804	1,527
Disbursements	(19,581)	(21,334)
Balance, end of year	$ 37,275	$ 36,190

Certain of the funds designated for specific purposes are subject to externally imposed restrictions stipulating that the principal be maintained intact, or that the principal be used for specifically stated purposes.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006 (Restated - Note 20)
Accounts payable and accrued liabilities	$ **110,472**	$ 84,558
Accrued salaries	**23,479**	23,324
Holdbacks on construction contracts	**1,244**	5,494
	$ **135,195**	$ 113,376

8. LONG-TERM DEBT

	2007	2006 (Restated - Note 20)
Prime less 0.5% Demand Loan, maturing 2015 Grace General Hospital Hospice (fair value $320)	$ **371**	$ 421
7.04% Mortgage payable, maturing 2006 Nutrition & Food Services (fair value $nil)	**-**	393
Prime less 0.5% Term Loan, maturing 2011 Concordia Energy Saving Project (fair value $275)	**275**	338
Prime less 0.9% Demand Loan, maturing 2017 Emily Street Parkade (fair value $8,099)	**8,361**	8,954
7.38% Mortgage payable, maturing 2018 Nutrition & Food Services (fair value $14,626)	**14,532**	15,316
Capital leases (fair value $32)	**-**	32
	23,539	25,454
Less amounts due within one year, included in current liabilities	**(9,643)**	(2,313)
	$ **13,896**	$ 23,141

The fair value of long term debt at March 31, 2007 has been calculated using discounted cash flow analysis based on incremental borrowing rates currently available for similar terms and maturities.

The principal repayments over the next five years are as follows:

2008	$ 9,643
2009	979
2010	1,052
2011	1,106
2012	1,134

9. DEFERRED CONTRIBUTIONS

		2007		2006 (Restated - Note 20)
Deferred contributions, future expenses				
- operating expenses	**$**	**12,409**	$	11,463
- contract settlement expenses		**4,902**		-
		17,311		11,463
Deferred contributions, capital		**557,571**		519,889
Deferred contributions, total	**$**	**574,882**	$	531,352

a) Deferred contributions, future expenses

Deferred contributions related to future expenses represent the unspent amount of funding received for the Authority's operating expenses. The recognition of deferred contributions, future expenses is recorded as revenue in the statement of operations.

		2007		2006 (Restated - Note 20)
Balance, beginning of year	**$**	**11,463**	$	24,295
Amount received during the year		**11,457**		2,423
Transferred (to) from deferred contributions, capital		**(90)**		(4,779)
Less: amount recognized as revenue - Programs		**(5,516)**		(10,475)
Less: amount recognized as revenue - Non-insured services		**(3)**		(1)
Balance, end of year	**$**	**17,311**	$	11,463

b) Deferred contributions, capital

Deferred contributions related to capital assets represent the unamortized and unspent amount of funding received for the purchase of the Authority's capital assets. The amortization of deferred contributions, capital is recorded as revenue in the statement of operations.

		2007		2006 (Restated - Note 20)
Balance, beginning of year	**$**	**519,889**	$	468,394
Amount received during the year		**77,389**		81,192
Transferred from (to) deferred contributions, future expenses		**90**		4,779
Less: amount amortized to revenue – Programs		**(36,524)**		(33,131)
Less: amount amortized to revenue – Non-insured services		**(3,273)**		(2,531)
Restatement (Note 20)		**-**		1,186
Balance, end of year	**$**	**557,571**	$	519,889

9. DEFERRED CONTRIBUTIONS (continued)

b) Deferred contributions, capital (continued)

The long-term debt that has been incorporated in deferred contributions includes the following:

		2007		2006 (Restated - Note 20)
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, 2.69% revolving 60 days	**$**	**7,747**	$	8,879
Demand bank loans for capital projects in anticipation of the future issuance of long-term debt by Manitoba Health, Prime less 0.75% to Prime less 0.5%		**9,024**		8,219
Capital lease obligation		**-**		5
10.00% Sinking fund debenture maturing 2011, annual payments of $625		**25,000**		25,000
	$	**41,771**	$	42,103

At March 31, 2007 the value of the sinking fund assets and accumulated interest aggregated $12,969 (March 31, 2006 - $11,807). Annual payments are made by the Authority/Manitoba Health from cash held in trust, which at March 31, 2007 was $2,112 (March 31, 2006 - $2,112).

10. NURSE RECRUITMENT AND RETENTION FUND

In 2000, Manitoba Health had established a $7 million Nurse Recruitment and Retention Fund in order to assist with the implementation of recruitment and retention strategies for nurses throughout Manitoba. The Authority holds, invests and disburses funds on behalf of the Nurse Recruitment and Retention Committee. The Fund is administered by a tri-partite committee comprised of the Regional Health Authorities of Manitoba, Manitoba Health, and the Manitoba Nurses Union. The Authority can only disburse funds authorized by the committee.

Cash and investments held for the Nurse Recruitment and Retention Fund include the following:

	2007	2006
Cash and marketable securities, at cost	**$ 3,419**	$ 3,990

An analysis of the changes in the Nurse Recruitment and Retention Fund is as follows:

	2007	2006
Balance, beginning of year	**$ 3,990**	$ 5,088
Additions to fund	**1,309**	1,200
Interest earned on investment	**120**	130
Fund expenditures	**(2,000)**	(2,428)
Balance, end of year	**$ 3,419**	$ 3,990

11. INVESTMENT IN CAPITAL ASSETS

Investment in capital assets is calculated as follows:

		2007		2006 (Restated - Note 20)
Capital assets	$	**448,563**	$	444,749
Startup costs		**-**		-
Construction and other projects in progress		**194,018**		150,105
	$	**642,581**	$	594,854
Amounts financed by:				
Deferred contributions		**(557,571)**		(519,889)
Loans and accounts payable		**(39,923)**		(34,545)
Investment in capital assets	$	**45,087**	$	40,420

Change in investment in capital assets is calculated as follows:

		2007		2006 (Restated - Note 20)
a) Excess of expenses over revenues				
Amortization of capital assets included in programs	$	**(37,380)**	$	(33,681)
Amortization of capital assets included in uninsured services		**(5,968)**		(5,191)
Amortization of deferred contributions related to capital assets included in programs		**36,524**		33,131
Amortization of deferred contributions related to capital assets included in uninsured services		**3,273**		2,531
	$	**(3,551)**	$	(3,210)
b) Purchase of capital assets	$	**91,075**	$	98,213
Amounts funded by:				
Capital contributions received in the year		**(77,389)**		(81,192)
Capital contributions transferred (from) to future expenses		**(90)**		(4,779)
Change in capital contributions receivable		**(5,378)**		(7,147)
	$	**8,218**	$	5,095
Change in Investment in Capital Assets	$	**4,667**	$	1,885

12. CONTROLLED ENTITIES INFORMATION

A financial summary of the three Other Hospitals, Manitoba Adolescent Treatment Centre and the Deer Lodge Centre Foundation, which have not been consolidated with the accounts of the Authority, is as follows:

		2007		2006
FINANCIAL POSITION				(Restated - Note 20)
Assets	$	405,181	$	382,770
Liabilities		381,331		363,110
Total net assets	$	23,850	$	19,660
RESULTS OF OPERATIONS				
Total revenues	$	360,682	$	339,517
Total expenses		357,191		347,023
		3,491		(7,506)
Surplus refundable to WRHA		(59)		(445)
Operating surplus (deficit)		3,432		(7,951)
Non-insured services income		14,814		16,513
Non-insured services expenses		14,081		17,154
Non-insured services surplus (deficit)		733		(641)
Net surplus (deficit)	$	4,165	$	(8,592)
CASH FLOWS				
From operating activities	$	547	$	(5,393)
Cash (used for) received from financing & investing		(5,807)		(3,769)
(Decrease) increase in cash	$	(5,260)	$	(9,162)

13. COMMITMENTS AND CONTINGENCIES

a) The Authority is subject to legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Authority.

b) At March 31, 2007, annual lease payments for the various premises occupied by the Authority over the next five years are as follows:

2008	$6,860
2009	6,450
2010	5,191
2011	4,618
2012	4,541

c) At March 31, 2007, the Authority had capital commitments of approximately $64,149 (2006 - $15,675) and equipment purchase commitments of approximately $8,377 (2006 - $4,979).

d) The Authority has entered into various operating lease commitments. The minimum amounts payable over the next five years are as follows:

2008	$ 2,628
2009	1,481
2010	810
2011	380
2012	123

14. HIROC

On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal under provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007

15. ECONOMIC DEPENDENCE

The Authority received approximately 93% (2006 – 94%) of its total revenue from Manitoba Health and is economically dependent on Manitoba Health for continued operations.

16. RELATED PARTY TRANSACTIONS

The Authority is responsible for the overall management of health care services provided in the Winnipeg Health Region. Programs are delivered in the region by the Authority through its direct service operations, by the Other Hospitals through operating agreements, by proprietary and non-proprietary personal care homes and community health agencies through service purchase agreements as well as through a number of non-profit organizations through grant funding mechanisms. The Authority transacts business on a regular basis with the organizations and agencies described in Notes 1 and 2b.

17. RELATED ENTITIES

The Authority has a significant influence on the Health Sciences Centre Foundation Inc. (HSCF) and the Children's Hospital Foundation of Manitoba Inc. (CHFM). The foundations' aims and objectives are to raise, invest and allocate funds for research projects through a number of institutions.

These foundations are incorporated under the Corporations Act of Manitoba and are registered charities for the purposes of the Income Tax Act and accordingly exempt from income taxes.

The four Community Hospitals have the following related entities:

Concordia Hospital
- The Concordia Foundation Inc.
- Concordia Wellness Projects Inc.
- Concordia Hospital Fund Inc.

Seven Oaks General Hospital
- Seven Oaks General Hospital Foundaion Inc.

The Salvation Army Grace General Hospital
- Grace General Hospital (Winnipeg) Foundation Inc., and
- The Salvation Army Winnipeg Grace General Hospital Auxiliary

Victoria General Hospital
- The Victoria General Hospital Foundation Inc.
- Guild of Victoria General Hospital Inc.

The financial statements of these entities have not been included in these statements but are available from the entity.

18. EMPLOYEE FUTURE BENEFITS

a) *Accrued retirement entitlement*

Based upon collective agreements and/or non-union policy, employees of the WRHA are entitled to a pre-retirement leave benefit if they are retiring in accordance with the provisions of the applicable WRHA Group Pension Plan. The Authority's contractual commitment is to pay based upon one of the following (dependant on the agreement/policy applicable to the employee):

1. Four days of salary per year of service upon retirement if the employee complies with one of the following conditions:
   i. has 10 years service* and has reached the age 55
   ii. qualifies for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee
   iii. retires at or after age 65
   iv. terminates employment at any time due to permanent disability

   *Non-union policy requires 5 years service for staff not covered by a collective agreement.

2. One week of pay for each year of service up to 15 years of service and two weeks of additional pay for each five years past the 15 years of service up to 35 years of service upon retirement if the employee complies with the following conditions:
   i. has 9 or more years of service
   ii. has reached the age of 55

3. One week of pay for each year of accumulated service or portion thereof to a maximum of fifteen weeks pay upon retirement if the employee complies with the following conditions:
   i. has 10 or more years of service
   ii. has reached the age of 55

The Authority undertook an actuarial valuation of the pre-retirement leave benefit for accounting purposes as at December 31, 2006, projected to March 31, 2007. The significant actuarial assumptions adopted in measuring the Authority's accrued retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% (2006 – 5.0%) and a rate of salary increase of 3.0% (2006 – 3.0%) plus age related merit/promotion scale with no provision for disability.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the statement of financial position. Manitoba Health has indicated that payment of this receivable, when required, is guaranteed by the Province. Any future changes from the March 31, 2004 liability amount will be reflected in the statement of operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

18. EMPLOYEE FUTURE BENEFITS (continued)

a) *Accrued retirement entitlement (continued)*

		2007		2006 (Restated – Note 20)
Employee future benefits recoverable from Manitoba Health	$	**82,302**	$	82,302

An analysis of the changes in the employee benefits payable is as follows:

		2007		2006
Balance, beginning of year	$	**103,799**	$	85,566
Net increase in pre-retirement entitlements		**1,693**		18,233
Balance, end of year	$	**105,492**	$	103,799

b) *Pension plan*

Most of the employees of the Authority are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy. Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 5% of basic annual earnings up to the Canada Pension Plan ceiling contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employee's contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2006, indicates that the plan is fully funded. Actual contributions to the plan made during the year by the Authority on behalf of its employees amounted to $37,261 (2006 - $32,046) and are included in the statement of operations.

Some of the employees of the Authority are eligible for membership in the provincially operated Civil Service Superannuation Plan. The pension liability for Authority employees is included in the Province of Manitoba's liability for Civil Service Superannuation Fund. Accordingly, no provision is required in the financial statements relating to the effects of participating in the plan by the Authority and its employees.

19. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the current year's presentation.

20. RESTATEMENT OF PRIOR PERIODS

Due to the agreements signed between the WRHA and the Community Hospitals and the resulting inclusion of the Community Hospitals in these consolidated financial statements, the following restatements of have been made to the March 31, 2006 balances: increased the total assets by $134,234, increased the total liabilities by $124,520, increased the total net assets by $9,714. In addition, total revenue increased by $30,747 and total expenses increased by $33,201 for the year ended March 31, 2006.

The prior year financial statements were corrected to reflect a reclassification resulting in a decrease of net assets – unrestricted in the amount of $1,788, a decrease of net assets – internally restricted in the amount of $43, an increase in net assets – invested in capital assets in the amount of $580 and an increase of deferred contributions in the amount of $1,251.

The prior year financial statements were corrected to reflect an overstatement of amortization of capital assets and an understatement of the accrued vacation pay at one of the Community Hospitals. These adjustments result in an increase in capital assets of $20, an increase in accounts payable and accrued liabilities in the amount of $18, an increase in direct operations expense in the amount of $1, an decrease in amortization of capital assets expense in the amount of $3, an increase in net assets – invested in capital assets in the amount of $17 and a decrease in net assets - unrestricted in the amount of $17.

The prior year financial statements were corrected to reflect an understatement of the amortization of deferred contributions at one of the Community Hospitals resulting in an increase in net assets – invested in capital assets in the amount of $60, an increase in amortization of deferred contributions - capital in the amount of $4 and a decrease in deferred contributions in the amount of $64.

The prior year controlled entity information has been revised to reflect restatements that occurred at various facilities. These restatements have been disclosed in the controlled entities' financial statements.

21. SUBSEQUENT EVENT

The Winnipeg Regional Health Authority entered into a letter of agreement with Misericordia Health Centre ("the Centre") on April 10, 2007. Under the terms of this letter the Centre agreed in principle to move forward on the further regionalization of certain aspects of its operations. Specific agreement was reached to proceed to transfer financial responsibility for the operations of the Centre to the WRHA. Also, under the terms of this letter, the WRHA agreed to assume responsibility for the unrestricted net asset deficit, specifically defined by term and exclusions, of the Centre as at March 31, 2007 subject to due diligence reviews and approval by the WRHA with agreement and approval by the Centre.

The letter of agreement is effective of April 1, 2007 and remains in effect until replaced by a new operating agreement between the WRHA and the Centre.

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 1 - Other Income

For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006 (Restated - Note 20)
Separately funded primary health programs	**$ 4,320**	$ 5,350
Patient and resident income	**19,181**	17,682
Radiology fee for service	**7,918**	5,810
External recoveries	**43,611**	32,276
Interest income	**2,648**	2,966
Miscellaneous income	**3,669**	2,769
Total	**$ 81,347**	$ 66,853

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 2 - Acute Care Facility Funding

For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006 (Restated - Note 20)
Manitoba Adolescent Treatment Centre	**$ 7,958**	$ 7,606
Misericordia Health Centre	**34,217**	33,283
Riverview Health Centre	**37,156**	35,111
St. Boniface General Hospital	**235,133**	218,623
Total Acute Care Facility Funding	**$ 314,464**	$ 294,623

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 3 - Long Term Care Facility Funding

For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006 (Restated - Note 20
Non-Proprietary Personal Care Homes		
Bethania Mennonite Personal Care Home	$ 5,527	$ 5,760
Calvary Place Personal Care Home	3,811	3,640
Convalescent Home of Winnipeg	2,824	2,701
Donwood Manor Personal Care Home	4,422	4,295
Foyer Valade	5,115	4,193
Fred Douglas Lodge	5,194	4,855
Golden Links Lodge	3,164	2,972
Golden West Centennial Lodge	4,058	3,779
Holy Family Nursing Home	10,805	10,056
Lions Personal Care Centre	3,650	3,527
Luther Home	3,100	2,942
Meadowood Manor	3,288	3,044
Middlechurch Home of Winnipeg	7,658	7,122
Misericordia Place	3,414	3,095
Park Manor Personal Care Home	3,677	3,532
Pembina Place Mennonite Personal Care Home	2,299	2,193
Sharon Home	9,397	8,852
St. Joseph's Residence	3,953	3,517
Taché Centre	14,656	13,682
West Park Manor	5,178	4,956
Supportive Housing	3,526	3,206
Miscellaneous Funding Adjustments	445	514
Total	$ 109,161	$ 102,433
Proprietary Personal Care Homes		
Central Park Lodge - Beacon Hill	$ 6,926	$ 6,718
Central Park Lodge - Charleswood Care Centre	5,787	5,599
Central Park Lodge - Heritage Lodge	3,206	3,289
Central Park Lodge - Kildonan Personal Care Home	5,317	5,081
Central Park Lodge - Maples Personal Care Home	8,159	7,677
Central Park Lodge - Parkview Place	10,341	10,475
Central Park Lodge - Poseidon Care Centre	8,123	7,895
Extendicare - Oakview Place	9,315	8,991
Extendicare - Tuxedo Villa	7,688	7,365
Fort Garry Care Centre	459	2,211
Golden Door Geriatric Centre	2,911	2,874
River East Personal Care Home	5,055	4,978
St. Norbert Nursing Home	3,406	2,839
Vista Park Lodge	3,984	3,756
Miscellaneous Funding Adjustments	938	446
Total	$ 81,615	$ 80,194
Rural Proprietary Personal Care Homes		
Central Park Lodge - Valley View	$ 3,446	$ 3,327
Extendicare - Hillcrest Place	3,710	3,682
Extendicare - Red River Place	4,208	4,037
St. Adolphe Personal Care Home	1,422	1,386
Tudor House Personal Care Home	2,943	2,875
Miscellaneous Funding Adjustments	(219)	243
Total	$ 15,510	$ 15,550
Residential Care		
St. Amant Centre	$ 22,522	$ 21,174
Total	$ 228,808	$ 219,351

The facility funding reported on this schedule reflects approximately 72% of the personal care homes' total annual budget. The remainder of the budget is funded directly by the facility through Residential Charges.

In 2007 Drug Capitation Fees of $2,123 were paid directly by the WRHA on behalf of the Non-Proprietary and Proprietary personal care homes (2006 - $1,945).

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 4 - Community Health Agency Funding
For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Aboriginal Health & Wellness Centre	$ 1,108	$ 1,201
Centre de Sante	1,091	157
Hope Centre Health Care Incorporated	869	790
Klinic Incorporated	4,570	4,011
Main Street Project Inc.	1,641	1,451
MFL Occupational Health and Safety Inc.	736	654
Mount Carmel Clinic	6,097	5,862
Nine Circles Community Health Centre Inc.	2,069	1,854
Nor'West Co-op Community Health Centre, Inc.	1,150	1,021
Rehabilitation Centre for Children, Inc.	2,563	2,296
Sexuality Education Resource Centre Manitoba, Inc.	845	668
Women's Health Clinic, Inc.	2,350	2,299
Clinique Youville Clinic Inc.	2,246	2,225
Miscellaneous Funding Adjustments	1	-
Total	$ 27,336	$ 24,489

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 5 - Adult Day Care Facility Funding
For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Convalescent Home of Winnipeg	**$ 37**	$ 37
Fred Douglas Lodge	**183**	184
Golden Links Lodge	**52**	52
Golden West Lodge	**155**	155
Holy Family Nursing Home	**183**	183
Independent Living Resource Centre	**103**	103
Lions Personal Care Centre	**156**	156
Lions Place - Charleswood	**257**	257
Lions Place - Concordia	**182**	182
Lions Place - 610 Portage	**213**	213
Luther Home	**90**	110
Middlechurch Home of Winnipeg	**189**	194
Extendicare - Oakview Place	**139**	139
Park Manor Personal Care Home	**105**	106
Riverview Health Centre	**178**	170
Sharon Home	**65**	65
South YM/YWCA	**163**	163
Taché Centre	**365**	365
Total	**$ 2,815**	$ 2,834

WINNIPEG REGIONAL HEALTH AUTHORITY
Schedule 6 - Grants to Facilities and Agencies
For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Aboriginal Seniors Resource Centre	$ 155	$ 153
Age & Opportunity Centre Inc.	596	561
ALS House	328	325
Betelstadur Housing Co-op	6	-
Bethania Personal Care Home	10	3
Bethel Place	35	34
Bluebird Service Club	15	10
Bonivital Council for Seniors	36	36
Broadway Seniors Resource Council Inc.	36	36
Keewatin Inkster (formerly Brooklands/Weston Community Resource)	70	55
Canadian Mental Health Association	899	895
Canadian Polish Manor	15	-
Central Speech & Hearing Clinic Inc.	101	99
Charleswood Senior Centre	33	33
Chez Nous Inc.	18	17
City of Winnipeg - Emergency Services	5,579	5,317
Clubhouse of Winnipeg Inc.	357	357
CNIB	11	11
Columbus Manor	18	17
Community Therapy Services	183	181
Creative Retirement Manitoba	33	33
Donwood Manor	34	9
Doray Enterprises	312	296
Fort Garry Services Inc.	35	28
Foyer Vincent Inc.	18	17
Friendly Neighbour Council	-	32
Friends Housing Inc.	78	83
Good Neighbours Senior Centre Inc.	33	33
Gwen Secter Creative Living Centre	44	43
Hospice & Palliative Care Manitoba	76	75
Jewish Child and Family	33	32
Jocelyn House	238	238
Kingsford Haus Co-op Ltd.	11	10
L'Accueil Colombien Inc.	17	17
Lindenwoods	17	10
Lions Club	34	33
Manitoba Association of Multipurpose Senior Centres	4	4
Manitoba Cardiac Institute (Reh-fit)	682	683
Manitoba Eastern Star Chalet	11	10
Manitoba Housing Authority	307	299
MacDonald Youth Services	294	294
McClure	11	4
Meals on Wheels of Winnipeg Inc.	145	144
Metropolitan Kiwanis Courts	145	144

WINNIPEG REGIONAL HEALTH AUTHORITY

Schedule 6 - Grants to Facilities and Agencies (continued)

For the year ended March 31, 2007
(in thousands of dollars)

	2007	2006
Middlechurch Home of Winnipeg	**43**	42
Seven Oaks (formerly North Winnipeg Community Council)	**36**	33
Pembina Place (formerly Deaf Centre Manitoba Inc.)	**34**	33
River East Council for Seniors	**57**	57
Rose & Max Rady Jewish Community Centre	**16**	16
Ruperts Land Caregiver Services	**47**	43
S.S.C.O.P.E. Incorporated	**93**	103
Salvation Army	**227**	225
Sara Riel Inc.	**876**	1,666
Seniors Home Help Inc.	**69**	68
Seneca House	**343**	338
Serena Manitoba Inc.	**11**	11
Seven Oaks Wellness Centre	**597**	549
Society for Manitobans with Disabilities	**1,330**	1,185
South Winnipeg Senior Resource Council Inc.	**47**	46
St. Amant Centre (dental grant)	**-**	13
St. James/Assiniboia Senior Centre Inc.	**84**	84
St. Raphael	**-**	50
Stay Young Centre	**16**	16
Ten Ten Sinclair Housing Inc.	**-**	1,160
Transcona Council for Seniors	**40**	39
University of Manitoba - Medical Info Line for the Elderly	**31**	30
University of Manitoba - Dental Services	**41**	41
University of Manitoba	**-**	450
Villa Cabrini Inc.	**35**	34
Villa Nova	**11**	10
Villa Tache	**27**	27
Villa Vita Inc.	**-**	16
Willow	**11**	5
Wolseley Family Centre	**89**	88
YW/YMCA of Winnipeg	**167**	169
Miscellaneous Funding Adjustments	**(4)**	-
Total	**$ 15,487**	$ 17,358

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations By Nature of Expense

For the year ended March 31, 2007
(unaudited)
(in thousands of dollars)

	2007	2006
REVENUE		
Manitoba Health operating income	$ 1,702,256	$ 1,592,123
Other government revenue	14,042	11,630
Patient services (includes patient and resident income)	15,851	15,583
Amortization of deferred contributions	56,576	57,268
Other Revenue	71,292	62,757
	1,860,017	1,739,361
EXPENSES		
Salaries and wages	964,621	938,432
Medical remuneration	124,483	114,771
Printing, stationery and office supplies	7,915	7,304
Housekeeping, laundry and linen	12,112	11,187
Utilities, insurance and taxes	27,841	27,713
Food and dietary supplies	19,760	19,118
Medical and surgical supplies	92,068	84,364
Pharmaceutical supplies	57,101	61,214
Diagnostic supplies	18,196	16,853
Miscellaneous and other	55,176	50,537
Repairs and maintenance	30,531	27,608
Referred out services	84,236	50,695
Radiology fee for service costs	10,657	10,073
Interest	7,646	7,435
Amortization of capital assets	53,084	48,567
Employee future employee benefits	5,385	23,835
Non-acute care facility and grant funding	280,089	269,397
	1,850,901	1,769,103
PRIOR YEAR ADJUSTMENTS	-	(23)
SURPLUS REFUNDABLE TO WRHA	(59)	(445)
OPERATING SURPLUS (DEFICIT)	9,057	(30,210)
NON-INSURED SERVICES		
Non-insured services income	83,415	84,015
Non-insured services expenses	77,938	82,064
NON-INSURED SERVICES SURPLUS	5,477	1,951
SURPLUS (DEFICIT) FOR THE YEAR	$ 14,534	$ (28,259)

Note: The amounts reported on this schedule reflect the financial results of the Authority and the Other Hospitals. Differences in the timing of revenue/expense recognition between the Authority and the Hospitals results in line item differences between this schedule and the statement of operations. The overall reported (deficit) surplus is a compilation of the audited results of operations for all included sites.

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations
By Program

For the year ended March 31, 2007
(unaudited)
(in thousands of dollars)

	2007	2006
REVENUE		
Manitoba Health operating income	$ 1,702,256	$ 1,592,123
Other government revenue	14,042	11,630
Patient services (includes patient and resident income)	15,851	15,583
Amortization of deferred contributions	56,576	57,268
Other Revenue	71,292	62,757
	1,860,017	1,739,361
EXPENSES		
Program costs		
Anaesthesia	8,357	7,144
Breast health	2,479	2,408
Cardiac sciences	39,161	27,377
Child health	68,941	67,163
Child adolescent & mental health	15,608	14,955
Critical care	47,821	45,487
Diagnostic imaging	52,869	48,927
Diagnostic imaging - Radiology Fee for Service	10,570	9,763
Emergency	55,495	51,073
Family medicine	36,019	36,691
Genetics	944	26
Health Links	5,140	3,850
Laboratories	59,126	57,547
Medicine	85,525	82,096
Renal health	43,508	43,912
Mental health	33,232	31,848
Oncology	7,525	10,873
Oral Health	422	348
Paliative Care	3,264	-
Psychology	3,282	3,151
Rehab/Geriatrics	51,906	51,522
Surgery	172,601	166,702
Tele-health	2,034	2,056
Women's health	46,409	44,166
Long term care	46,610	44,617
Residents and interns	21,995	20,960
Other diagnostic & therapeutic services	33,580	31,994
Pharmacy	29,720	29,018
Community based home care services	155,580	146,349
Community based mental health services	11,899	10,232
Community based primary health services	24,463	21,826
Separately funded primary health programs	7,054	7,648
	1,183,139	1,121,729

WINNIPEG REGIONAL HEALTH AUTHORITY
Supplementary Information
WRHA Statement of Operations including all Acute Care Operations By Program (continued)
For the year ended March 31, 2007
(unaudited)
(in thousands of dollars)

		2007		2006
Indirect service costs				
Corporate and support services		**57,737**		55,437
Clinical and non-clinical support services		**67,698**		66,335
Information services		**39,140**		27,555
Facility services		**127,815**		126,007
Marketed services		**83**		161
Research and education services		**8,447**		7,662
		300,920		283,157
Other costs				
Non-acute care facility and grant funding		**280,089**		269,397
Aboriginal services & strategies		**2,064**		2,045
Other costs		**12,735**		7,343
Pre-retirement		**11,255**		29,430
Interest		**7,646**		7,435
Amortization of capital assets		**53,053**		48,567
		366,842		364,217
		1,850,901		1,769,103
PRIOR YEAR ADJUSTMENTS		**-**		(23)
SURPLUS REFUNDABLE TO WRHA		**(59)**		(445)
OPERATING SURPLUS (DEFICIT)		**9,057**		(30,210)
NON-INSURED SERVICES				
Non-insured services income		**83,415**		84,015
Non-insured services expenses		**77,938**		82,064
NON-INSURED SERVICES SURPLUS		**5,477**		1,951
OPERATING AND NON-INSURED SURPLUS (DEFICIT)	**$**	**14,534**	$	(28,259)

Note: The amounts reported on this schedule reflect the financial results of the Authority and the Other Hospitals. Differences in the timing of revenue/expense recognition between the Authority and the Hospitals results in line item differences between this schedule and the statement of operations. The overall reported (deficit) surplus is a compilation of the audited results of operations for all included sites.

ADMINISTRATIVE COSTS

The Canadian Institute of Health Information (CIHI) defines a standard set of guidelines for the classification and coding of financial and statistical information for use by all Canadian health service organizations. The Authority adheres to these coding guidelines.

The most current definition of administrative costs determined by CIHI includes: General Administration (including Acute/Long Term Care/Community Administration, Patient Relations, Community Needs Assessment, Risk Management, Quality Assurance, and Executive costs), Finance, Human Resources, Labour Relations, Nurse/Physician Recruitment and Retention, and Communications.

The administrative cost percentage indicator (administrative costs as a percentage of total operating costs) adheres to CIHI definitions.

The figures presented are based on data available at time of publication. Restatements are made in the subsequent year to reflect final data and changes in the CIHI definition, if any.

Administrative costs and percentages for the Authority (including hospitals, non-proprietary personal care homes and community health agencies) are:

	2007	2006 (Restated)
Administrative costs	**$ 81,971**	$ 81,372
Administrative cost %	**4.4%**	4.6%

Restatements of 2006 Administrative costs are as follows:

As reported in 2006	$ 83,111
Pre-retirement payouts incorrectly recorded in an administrative cost centre	(1,768)
Other adjustments due to timing of site data submission vs. statement publication	29
	$ 81,372

Certain operating costs previously excluded from the total operating cost calculation due to anomalies between Manitoba Health reporting requirements and CIHI reporting requirements have now been included.

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AUDITORS' REPORT

To the Board of Directors
3885136 Manitoba Association Inc.
(Operating as Calvary Place Personal Care Home)

We have audited the statement of financial position of 3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) as at March 31, 2007 and the statements of operations, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 17, 2007

Member of
Deloitte Touche Tohmatsu

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Operations
Year Ended March 31, 2007

	2007	2006
INCOME		
Residents		
Winnipeg Regional Health Authority funding	**$ 3,916,216**	$ 3,874,519
Residential charge	**1,540,273**	1,497,404
Amortization of deferred contributions	**232,473**	230,222
Investment income	**58,807**	36,787
Other income	**3,824**	2,151
	5,751,593	5,641,083
EXPENSES		
Salaries	**3,832,876**	3,710,747
Employee benefits	**592,706**	494,471
Payroll tax	**78,234**	78,614
Incontinence supplies	**51,453**	51,917
Medical and surgical supplies	**32,628**	21,341
Operating expenses - Schedule	**446,521**	438,403
Physical plant - Schedule	**294,453**	316,760
Interest on long-term debt	**4,107**	12,874
Amortization	**324,650**	339,736
Administration - Schedule	**82,344**	51,960
	5,739,972	5,516,823
EXCESS OF INCOME OVER EXPENSES FOR THE YEAR	**$ 11,621**	$ 124,260

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Financial Position
March 31, 2007

	2007	2006
ASSETS		
CURRENT		
Cash	$ 1,629,443	$ 1,577,101
Accounts receivable	94,965	216,332
G.S.T. recoverable	5,928	12,293
Inventory	14,012	13,483
Prepaid expenses	4,539	7,484
Due from Manitoba Health - employee future benefits	206,790	206,790
	1,955,677	2,033,483
DUE FROM MANITOBA HEALTH - EMPLOYEE FUTURE BENEFITS	167,730	133,933
FIXED ASSETS (Note 3)	7,799,932	8,122,549
TRUST AND ACTIVITY FUND ASSETS	75,104	68,767
	$ 9,998,443	$ 10,358,732
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities (Note 4)	$ 523,804	$ 455,960
Due to Winnipeg Regional Health Authority	1,202,726	1,374,646
Current portion of long-term debt (Note 5)	-	129,420
	1,726,530	1,960,026
PRE-RETIREMENT ENTITLEMENTS	167,730	133,933
LONG-TERM DEBT (Note 5)	-	15,916
DEFERRED CONTRIBUTIONS (Note 6)	7,446,930	7,609,562
TRUST AND ACTIVITY FUND LIABILITIES	75,104	68,767
	9,416,294	9,788,204
CONTINGENCY (Note 8)		
NET ASSETS		
Invested in fixed assets (Note 7)	353,002	367,651
Unrestricted	229,147	202,877
	582,149	570,528
	$ 9,998,443	$ 10,358,732

APPROVED BY THE BOARD

.... Director

.... Director

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Changes in Net Assets
Year Ended March 31, 2007

	Invested in Fixed Assets	Unrestricted	**Total 2007**	Total 2006
Balance, beginning of year	**$ 367,651**	**$ 202,877**	**$ 570,528**	$ 446,268
Excess (deficiency) of income over expenses for the year	**(92,177)**	**103,798**	**11,621**	124,260
Investment in fixed assets (Note 7)	**77,528**	**(77,528)**	**-**	-
Balance, end of year	**$ 353,002**	**$ 229,147**	**$ 582,149**	$ 570,528

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Statement of Cash Flows
Year Ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Excess of income over expenses for the year	$ **11,621**	$ 124,260
Items not affecting cash		
Amortization	**324,650**	339,736
Amortization of deferred contributions	**(232,473)**	(230,222)
	103,798	233,774
Changes in non-cash operating working capital items		
Accounts receivable	**127,732**	(202,467)
Prepaid expenses	**2,945**	(2,734)
Inventory	**(529)**	(3,005)
Accounts payable and accrued liabilities	**67,844**	(128,201)
Due to Winnipeg Regional Health Authority	**(171,920)**	191,964
Pre-retirement entitlements	**33,797**	(14,886)
Due from Manitoba Health - employee future benefits	**(33,797)**	(9,273)
	129,870	65,172
FINANCING ACTIVITIES		
Repayment of long-term debt	**(145,336)**	(209,265)
Deferred contributions received	**69,841**	79,845
	(75,495)	(129,420)
INVESTING ACTIVITY		
Fixed asset purchases	**(2,033)**	(10,350)
NET INCREASE (DECREASE) IN CASH POSITION	**52,342**	(74,598)
CASH POSITION, BEGINNING OF YEAR	**1,577,101**	1,651,699
CASH POSITION, END OF YEAR	$ **1,629,443**	$ 1,577,101
Interest paid	$ **4,107**	$ 12,874

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Notes to the Financial Statements
March 31, 2007

1. DESCRIPTION OF ORGANIZATION

3885136 Manitoba Association Inc. (Operating as Calvary Place Personal Care Home) was incorporated on August 20, 1998 and commenced active operations on January 24, 2000. The Personal Care Home is overseen by a Board of Directors pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes.

The Personal Care Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies of the Personal Care Home:

a) Revenue recognition

The Personal Care Home follows the deferral method of accounting for contributions which include donations and government grants.

The Personal Care Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of fixed assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related fixed assets.

2. ACCOUNTING POLICIES (continued)

b) *Fixed assets*

Purchased fixed assets are recorded at cost. Contributed fixed assets are recorded at fair value at the date of contribution.

Fixed assets are amortized on a straight-line basis over the following estimated useful lives:

Building	40 years
Computer equipment and software	5 years
RDF equipment	5 – 7 years
Nursing equipment	7 years
Furniture	15 years
Major equipment	5 – 25 years

c) *Retirement entitlement obligation*

The Personal Care Home has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

- Have ten years service and have reached the age of 55, or
- Qualify for the "eighty" rule which is calculated by adding the number of year's service to the age of the employee.

The Personal Care Home has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above.

d) *Due from Manitoba Health – employee future benefits*

Until the fiscal year ended March 31, 2004, funding for vacation entitlements and retirement entitlement obligations was provided by the Winnipeg Regional Health Authority in the period in which expenditures were made. Accordingly, the cost of the estimated accrued vacation pay and retirement entitlement obligations at year-end was deferred to enable an appropriate matching of expenses with income secured in subsequent years. For the year ended March 31, 2005 and onwards Manitoba Health is no longer funding this liability and the change in the current year liability is recorded as a charge against current year operations. The receivable from Manitoba Health includes only the accrued liability to March 31, 2004.

2. ACCOUNTING POLICIES (continued)

e) *Financial risk*

Financial risk is the risk that arises from fluctuations in interest rates, and the degree of volatility of those rates. The Personal Care Home does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Personal Care Home is exposed to credit risk from its residents. However, at year-end virtually all of the accounts receivable were due from government agencies, which minimizes the concentration of credit risk.

Fair value

The fair value of cash, accounts receivable, G.S.T. recoverable, accounts payable and accrued liabilities, and due to Winnipeg Regional Health Authority approximate their carrying value due to their short-term maturity.

The fair value of the current and long term asset future employee benefits recoverable from Manitoba Health and the long term liability pre-retirement entitlements payable could not be determined because there are no specific terms of repayment.

f) *Use of estimates*

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. FIXED ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 424,712	$ -	$ 424,712	$ 424,712
Building	8,563,541	1,548,579	7,014,962	7,229,050
Computer equipment and software	94,608	75,828	18,780	35,186
RDF equipment	300,947	293,758	7,189	34,197
Nursing equipment	89,191	87,520	1,671	11,119
Furniture	605,362	292,101	313,261	353,630
Major equipment	121,045	101,688	19,357	34,655
	$10,199,406	$ 2,399,474	$ 7,799,932	$ 8,122,549

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Trade	$ 122,584	$ 99,963
Health and education tax payable	-	11,345
Wages and employee benefits payable	128,370	94,483
Accrued vacation pay	272,850	250,169
	$ 523,804	$ 455,960

5. LONG-TERM DEBT

	2007	2006
Term loan, repaid during the year	$ -	$ 145,336
Less current portion	-	129,420
	$ -	$ 15,916

6. DEFERRED CONTRIBUTIONS

Deferred contributions related to fixed assets represent the unamortized amount and unspent amount of funding received for repayment of the principal portion on the long-term debt. These contributions were received from Heritage Benevolent Association Inc. and Manitoba Health.

	2007	2006
Balance, beginning of year	**$ 7,609,562**	$ 7,759,939
Contributions received	**69,841**	79,845
Amortization	**(232,473)**	(230,222)
Balance, end of year	**$ 7,446,930**	$ 7,609,562

7. INVESTED IN FIXED ASSETS

a) Invested in fixed assets is calculated as follows:

	2007	2006
Fixed assets	**$ 7,799,932**	$ 8,122,549
Deferred contributions	**(7,446,930)**	(7,609,562)
Long-term debt	**-**	(145,336)
Balance, end of year	**$ 353,002**	$ 367,651

b) Change in net assets invested in fixed assets is calculated as follows:

	2007	2006
Excess of income over expenses		
Amortization of deferred contributions related to fixed assets	**$ 232,473**	$ 230,222
Amortization of fixed assets	**(324,650)**	(339,736)
	$ (92,177)	$ (109,514)

	2007	2006
Net change in invested in fixed assets		
Purchase of fixed assets	**$ 2,033**	$ 10,350
Amounts funded by deferred contributions	**(69,841)**	(79,845)
Repayment of long-term debt	**145,336**	209,265
	77,528	139,770
Total change in net assets invested in fixed assets	**$ (14,649)**	$ 30,256

8. CONTINGENCY

The Personal Care Home is responsible for any in-globe deficits but may unconditionally retain the greater of 50% of its operating surplus and 2% of the global budget indicated in its funding letter from Winnipeg Regional Health Authority. The actual amount of the settlement is determined after a review of the details by Winnipeg Regional Health Authority and negotiation with the Personal Care Home.

If deficits are incurred, additional funding may be provided by Winnipeg Regional Health Authority for expenses not initially included in the budget.

9. PENSION PLAN

Substantially all employees of the Personal Care Home are members of the Health Employees Pension Plan (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees. Plan members will receive benefits based on the length of service and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual entities within the related group. As a result, individual entities within the related group are not able to identify their share of the underlying assets and liabilities. Therefore, the plan is accounted for as a defined contribution plan in accordance with the requirements of the Canadian Institute of Chartered Accountants' Handbook section 3461.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan at July 1, 2005 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Personal Care Home on behalf of its employees amounted to $209,010 (2006 - $157,482) and are included in the statement of operations.

10. COMPARATIVE FIGURES

Certain of the prior year's comparative figures have been reclassified to conform to the current year's method of presentation

3885136 MANITOBA ASSOCIATION INC.
(Operating as Calvary Place Personal Care Home)
Schedule of Operating, Physical Plant and Administration Expenses
Year Ended March 31, 2007

	2007	2006
OPERATING EXPENSES		
Food	$ 341,580	$ 343,977
Other supplies and expenses	49,630	38,872
Purchased services	55,311	55,554
	$ 446,521	$ 438,403
PHYSICAL PLANT EXPENSES		
Heat, light and power	$ 104,637	$ 106,659
Insurance and property taxes	131,787	152,243
Repairs and maintenance	37,855	37,723
Water	20,174	20,135
	$ 294,453	$ 316,760
ADMINISTRATION EXPENSES		
Membership fees	$ 2,745	$ 1,775
Postage and delivery	1,605	1,079
Printing, stationery and office supplies	14,281	12,830
Professional fees	44,425	21,053
Sundry	3,597	2,022
Telephone and fax	9,803	9,862
Travel and education	5,888	3,339
	$ 82,344	$ 51,960

BDO
BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Directors of
BETHANIA MENNONITE PERSONAL CARE HOME, INC.

We have audited the statement of financial position of **BETHANIA MENNONITE PERSONAL CARE HOME, INC.** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home's operations as outlined in Note1 - Entity Definition, as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 25, 2007

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Restricted cash and investments (Note 3)	$ 428,342	$ 474,229
Accounts receivable (Note 4)	69,731	81,178
Due from related parties (Note 5)	-	51,468
Inventories	54,343	56,607
Prepaid expenses	31,590	26,004
Vacation entitlement receivable (Note 6)	497,632	497,632
	1,081,638	1,187,118
Pre-retirement entitlement receivable (Note 6)	735,952	652,360
Capital assets (Note 7)	2,233,637	2,385,092
	$ 4,051,227	$ 4,224,570
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness (Note 13)	$ 257,125	$ 225,384
Accounts payable (Note 8)	666,505	779,055
Accrued vacation pay	428,840	380,988
Due to related parties (Note 5)	13,219	-
Current portion of long-term debt (Notes 2 and 9)	118,000	118,000
	1,483,689	1,503,427
Accrued pre-retirement entitlement	563,683	480,091
Long-term debt (Notes 2 and 9)	119,945	237,945
Deferred contributions (Notes 2 and 10)	1,238,157	1,428,069
Commitments and contingencies (Note 11)		
Net assets	645,753	575,038
	$ 4,051,227	$ 4,224,570

Approved on behalf of the Board:

Director

Director

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Changes in Net Assets

For the year ended March 31				2007	2006
	Invested in Capital Assets	Debenture Repayment Reserve (Note 2)	Unrestricted	Total	Total
Balance, beginning of year, as previously reported	$ 794,043	$ -	$ (350,286)	$ 443,757	$ 267,705
Adjustment for debenture reserve cash (Note 2)	-	131,281	-	131,281	131,281
Balance, beginning of year, as restated	794,043	131,281	(350,286)	$ 575,038	398,986
Excess of revenue over expenditures for the year	-	-	74,535	74,535	176,052
Changes in reserve	-	(3,820)		(3,820)	-
Purchase of capital assets	92,751	-	(92,751)	-	-
Balance, end of year	$ 886,794	$ 127,461	$ (368,502)	$ 645,753	$ 575,038

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Operations - Personal Care Home

For the year ended March 31	2007	2006
Revenue		
Winnipeg Regional Health Authority	$ 5,356,662	$ 5,763,697
Residential charges	2,222,739	2,155,868
Other income (Page 20)	106,031	103,364
CMHC subsidy	178,172	54,685
	7,863,604	8,077,614
Expenditures		
Accrued vacation pay reduction	(31,799)	(76,048)
Drugs and medical supplies	127,591	134,632
Employee benefits	831,409	841,736
Food	263,078	261,423
Health and education tax levy	114,016	118,985
Other supplies and expenses	618,961	702,395
Salaries	5,662,705	5,833,597
Utilities and taxes	291,617	306,998
	7,877,578	8,123,718
Deficiency of revenue over expenditures before amortization	(13,974)	(46,104)
Amortization		
Deferred contributions (Note 10)	244,205	284,256
Capital assets	(244,205)	(284,256)
	-	-
Deficiency of revenue over expenditures before other items	(13,974)	(46,104)
Other Items		
CMHC subsidy revision	123,487	-
Long-term debt revision	48,614	-
Accrued pre-retirement leave entitlement (increase) decrease	(83,592)	222,156
	88,509	222,156
Excess of revenue over expenditures for the year	$ 74,535	$ 176,052

The accompanying summary of significant policies and notes are an integral part of these financial statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ **74,535**	$ 176,052
Amortization of capital assets	**244,205**	284,256
Change in pre-retirement entitlement receivable	**(83,592)**	-
Change in accrued pre-retirement entitlement	**83,592**	(257,231)
Net increase (decrease) in deferred contributions	**(189,912)**	(349,488)
	128,828	(146,411)
Changes in non-cash working capital (Note 12)	**50,182**	296,225
	179,010	149,814
Cash Flows from Financing Activities		
Repayment of long-term debt	**(118,000)**	(118,000)
Cash Flows from Investing Activities		
Purchase of capital assets (net of donations)	**(92,751)**	(55,808)
Net decrease in cash and cash equivalents during the year	**(31,741)**	(23,994)
Bank indebtedness, beginning of year	**(225,384)**	(201,390)
Bank indebtedness, end of year	$ **(257,125)**	$ (225,384)

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

March 31, 2007

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories	Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.
Employee Future Benefits	Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/WRHA.
Contributed Services	A substantial number of volunteers contribute a significant amount of their time each year. Due to the difficulty of determining the fair value, contributed services are not recognized in the financial statements.
Investments	Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.
Capital Assets	Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value. Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2-10%
Computer equipment	20%
Furniture, fixtures and equipment	5-20%
Intangible assets	10%
Land improvements	4-6.7%

Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Summary of Significant Accounting Policies

March 31, 2007

Financial Instruments	The Home's financial instruments consist of cash and investments, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.
Restricted Cash	Restricted cash and investment balances represent assets segregated for use for replacement reserves or debenture repayment reserves.

1. Entity Definition

Bethania Mennonite Personal Care Home, Inc. is incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services. The Home is a registered charity under the Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Income Tax Act are met. Bethania is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

Effective April 1, 2005, all assets of Bethania Mennonite Personal Care Home, Inc. - Memorial Fund were transferred to Bethania Mennonite Memorial Foundation Inc.

These financial statements present the financial position and results of operations of the personal care home operated as Bethania Mennonite Personal Care Home, Inc. As such, the financial statements for the year ended March 31, 2007 do not include the assets, liabilities, equity, revenues and expenses of Bethania Mennonite Memorial Foundation Inc.

2. Long-term Debt and Deferred Contribution Adjustment

During the year, the Home determined the prior year's restatement of long-term debt to deferred contributions incorrectly included the debenture held by The Province of Manitoba. As part of the restatement the restricted cash held by the Province for debenture retirement and net assets was adjusted. The 2006 financial statements have been restated to reflect the debenture as long-term debt and record the restricted cash held by the Province. The excess (deficiency) of revenue over expenditures remains as previously reported and the comparative figures on the statement of financial position for the year ended March 31, 2006 have been adjusted as follows:

	Original	Adjustment	Restated
Restricted cash	$ 342,948	$ 131,281	$ **474,229**
Deferred contributions	1,784,014	(355,945)	**1,428,069**
Long-term debt	-	355,945	**355,945**
Net assets	443,757	131,281	**575,038**

3. Restricted Cash and Investments

	2007	2006
Restricted cash	$ 101,015	$ 102,511
Bonds and GIC's (Market value $203,743; 2006 - $245,649)	199,156	240,437
Debenture Retirement Fund (see below)	128,171	131,281
	$ 428,342	$ 474,229

The fair value of cash on deposit and the debenture retirement fund is equal to its carrying value. The bonds have an effective interest rate of 4.00 to 4.5% (2006 - 3.85 to 4.125%) with the latest maturing in June 2010. The fair value of the bonds is based on the year end quoted market bid price.

Debenture Retirement Fund

In accordance with the agreement relating to debenture issues, the WRHA retains and holds in trust sufficient funds from amounts otherwise payable by it to the Home to ensure the availability of funds to meet debenture principal and interest payments as they fall due.

4. Accounts Receivable

	2007	2006
Receivable from residents	$ 7,536	$ 8,132
Accrued interest receivable	4,588	5,212
Canada Mortgage and Housing Corporation	15,507	15,507
Other	15,856	20,490
GST rebate receivable	26,244	31,837
	$ 69,731	$ 81,178

5. Due from (to) Related Parties

	2007	2006
285 Pembina Inc.	$ 494	$ -
ArlingtonHaus Inc.	494	(131)
Bethania Housing & Projects Inc.	(21,945)	65,443
Bethania Mennonite Memorial Foundation Inc.	9	(13,662)
BethaniaHaus Inc.	2,469	-
Pembina Place Mennonite Personal Care Home, Inc.	5,138	(235)
The Mennonite Benevolent Society	122	53
	$ (13,219)	$ 51,468

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment.

6. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and has been recorded as a receivable on the statement of financial position. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. This has resulted in an increase to receivables and revenues in the amount of $83,592 for the 2007 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as current year expenditures on the statement of operations following the "deficiency of revenue over expenditures before other items" balance. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

7. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 1	$ -	$ 1	$ -
Land improvements	340,263	250,813	340,263	236,039
Building	4,804,084	2,964,978	4,795,066	2,824,098
Computer equipment	337,093	283,807	337,093	273,609
Furniture, fixtures and equipment	3,542,756	3,306,688	3,459,023	3,228,334
Intangible assets	10,208	-	10,208	-
Deferred software licenses	5,518	-	5,518	-
	$ 9,039,923	$ 6,806,286	$ 8,947,172	$ 6,562,080
Cost less accumulated amortization		$ 2,233,637		$ 2,385,092

Amortization of capital assets for the year ended March 31, 2007 is $244,205 (2006 - $284,256).

8. Accounts Payable

	2007	2006
Trade accounts payable	$ 207,206	$ 143,094
Accrued liabilities	59,292	107,833
Salaries and employee benefits payable	194,213	265,270
Winnipeg Regional Health Authority	205,794	262,858
	$ 666,505	$ 779,055

9. Long-term Debt

	2007	2006
Debenture payable		
Debenture #2 - bearing interest at 11 1/8%, payable semi-annually with annual principal payments of $118,000, maturing June 1, 2008	$ 237,945	$ 355,945
Current portion of long-term debt	118,000	118,000
	$ 119,945	$ 237,945

Principal repayments required over the next three years are as follows:

2008	$ 118,000
2009	118,000
2010	1,945

10. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2007	2006
Balance, beginning of year, as previously stated	$ 1,591,009	$ 1,937,466
Restated debenture payable (Note 2)	(237,235)	(355,945)
Balance, beginning of year, as restated	1,353,774	1,581,521
Additional contributions received:		
Adjustment for principal repayments on long-term debt restated	(170,976)	(169,376)
Winnipeg Regional Health Authority	31,400	31,400
Transfer from replacement reserves	92,751	55,808
Long-term debt principal reductions	21,580	19,976
Less CMHC offset	(8)	(9)
Less amounts amortized to revenue	(244,205)	(284,256)
Balance, end of year (carried forward)	$ 1,084,316	$ 1,235,064

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represents the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 149,550	$ 148,538
Contributions - Winnipeg Regional Health Authority	25,725	25,725
Interest allocation	8,642	9,546
Transfer to deferred contributions - capital asset purchases	(83,734)	(34,259)
Balance, end of year (carried forward)	$ 100,183	$ 149,550

10. Deferred Contributions (continued)

	2007	2006
Capital assets (brought forward)	$ 1,084,316	$ 1,235,064
Unspent equipment funding (brought forward)	100,183	149,550

Unspent Major Repairs Funding

Unspent major repairs funding related to equipment repairs represent the unspent amount of funding received for the replacement of equipment. Major repairs funding is not recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 38,991	$ 44,522
Contributions - Winnipeg Regional Health Authority	14,423	14,424
Interest allocation	3,314	1,594
Transfer to deferred contributions - capital asset purchases	(9,022)	(21,549)
Balance, end of year	47,706	38,991
Insurance Reserve		
Balance, beginning of year	4,464	2,976
Contributions - Winnipeg Regional Health Authority	1,488	1,488
Balance, end of year	5,952	4,464
Total deferred contributions balance	$ 1,238,157	$ 1,428,069

The long-term debt that has been incorporated in deferred contributions includes the following:

	2007	2006
Royal Bank revolving loan - interest at Prime minus 1/2%, secured by a promissory note with monthly principal payments of $12,450 plus interest, maturing July, 31, 2008	$ 46,582	$ 195,982
CMHC Mortgage - interest at 7 7/8%, requiring monthly principal and interest payments of $5,217 funded by the Winnipeg Regional Health Authority, secured by a first charge against land and building, maturing July 1, 2020	522,757	544,338
	$ 569,339	$ 740,320

11. Commitments and Contingencies

a) Bethania Mennonite Personal Care Home, Inc. has signed a borrowing resolution covering capital expenditures of $2,575,090 for Pembina Place Mennonite Personal Care Home Inc. The borrowing resolution is secured by a letter of comfort from Manitoba Health.

b) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2007, management believes the Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

c) On July 1, 1987, a group of health care organizations ("subscribers"), formed Healthcare insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007. The Home is a named insured under the WRHA policy with HIROC.

d) A lawsuit has been filed against the Home for an incident which arose in the ordinary course of business. In the opinion of management and legal counsel, the outcome of the lawsuit, now pending, is not determinable. Should any loss result from the resolution of this claim, such loss will be charged to operations in the year of resolution.

12. Changes in Non-cash Working Capital

	2007	2006
Accounts receivable	$ **11,447**	$ (18,598)
Restricted cash and investments	**42,068**	1,310
Inventories	**2,264**	7,398
Prepaid expenses	**(5,586)**	(16,702)
Due from (to) related parties	**64,687**	208,183
Accounts payable and accrued charges	**(112,550)**	190,682
Accrued vacation payable	**47,852**	(76,048)
	$ **50,182**	$ 296,225

13. Bank Indebtedness

The Home has a line of credit with The Royal Bank to a maximum of $500,000 which carries an interest rate of Royal Bank prime. The line of credit is secured by a general assignment of accounts receivable.

14. Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 21, 2005 indicates the Plan is in deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $303,995 (2006 - $286,257) and are included in the statement of operations.

15. Related Party Transactions

During the year, the Home had the following transactions with related organizations:

Management fee income	$	60,000
Maintenance fee recovery		28,888

Accounts receivable include $8,726 trade accounts receivable due from related parties and accounts payable include $21,945 payable to related parties.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All parties are related by common control.

16. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note 3, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Bethania Mennonite Personal Care Home, Inc.).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in the Home's Audited Financial Statements.

BETHANIA MENNONITE PERSONAL CARE HOME, INC.
Schedule of Supplementary Information

For the year ended March 31	2007	2006
Other Income		
BethaniaHaus meal recoveries	$ 11,338	$ 13,566
Dietary recoveries	47,592	46,055
Shared service recoveries	46,396	41,454
Investment income	657	396
Other recoveries and miscellaneous	48	1,893
	$ 106,031	$ 103,364

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AUDITORS' REPORT

To the Member of Centre Taché Centre

We have audited the statement of financial position of Centre Taché Centre as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 4, 2007

CENTRE TACHÉ CENTRE

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	$ 2,769,411	$ 2,138,468
Accounts receivable	68,861	76,358
Receivable from Winnipeg Regional Health Authority (note 2)	317,476	148,847
Inventory	49,263	46,782
Prepaid expenses	108,069	122,042
	3,313,080	2,532,497
Residents' funds in trust (note 5)	32,086	33,411
Employee benefits recoverable from Winnipeg Regional Health Authority (note 4)	921,099	921,099
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 4)	1,330,672	1,204,392
Capital assets (note 3)	9,200,151	9,608,182
Leasehold estate (note 16)	79,145	82,479
Other assets	1,000	1,000
	$ 14,877,233	$ 14,383,060

Exhibit 1
Page 2

Liabilities, Deferred Contributions and Fund Balances

	2007	2006
Current liabilities:		
Accounts payable	$ 334,830	$ 226,992
Accrued liabilities	1,922,215	1,682,404
Current portion of bank loans (note 7)	–	2,828,586
Current portion of mortgages payable (note 8)	79,897	73,459
	2,336,942	4,811,441
Residents' funds in trust (note 5)	32,086	33,411
Future employee pre-retirement benefits payable (note 4)	1,711,103	1,584,823
Mortgages payable (note 8)	3,301,159	3,381,057
	5,044,348	4,999,291
	7,381,290	9,810,732
Deferred contributions for (note 9):		
Expenses of future periods	12,240	28,848
Capital assets	6,150,443	3,679,127
	6,162,683	3,707,975
Fund balances:		
Capital fund (note 10)	49,301	57,267
Internally restricted fund (note 11)	1,283,959	807,086
	1,333,260	864,353
	$ 14,877,233	$ 14,383,060

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Date 27 juin 2007

On behalf of the Member of the Corporation:

Date June 27/07

Exhibit 2

CENTRE TACHÉ CENTRE

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

	Operating Fund	Adult Day Program and Ancillary Operations	Internally Restricted Fund	Capital Fund	2007 Total	2006 Total
Revenue:						
Winnipeg Regional Health Authority	$ 14,123,514	$ –	$ –	$ –	$ 14,123,514	$ 14,046,530
Resident charges	4.171.094	–	–	–	4,171,094	4,144,288
Adult Day Program	–	415,493	–	–	415,493	424,852
	18,294.608	415,493	–	–	18,710,101	18,615,670
Amortization of deferred contributions (note 8)	–	–	–	505,567	505.567	542,216
Offset income:						
Cafeteria	145.514	–	–	–	145,514	168,349
Interest	9,935	–	101,071	–	111,006	61,257
Donations	4,604	–	73,554	–	78,158	59,139
Fundraisers	–	–	6,377	–	6,377	9,422
Parking	60,934	–	–	–	60,934	59,340
Shared services (note 11)	269,667	–	–	–	269,667	279,694
Grants	12.418	–	–	–	12,418	13,175
Recoveries:						
General	251,523	–	39,269	–	290,792	274,574
Ancillary operations (note 8)	–	31,669	–	–	31,669	26,946
	754,595	31,669	220,271	–	1,006,535	951,896
	19,049,203	447,162	220,271	505,567	20,222,203	20,109,782
Expenses:						
Amortization	–	–	–	519,325	519,325	555,395
Salaries and wages	13,083,348	185,748	–	–	13,269,096	13,132,799
Employee benefits	2,432,329	38,396	–	–	2,470,725	2,506,596
Other supplies and expenses	402,189	16,610	80,005	–	498,804	411,775
Medical and surgical supplies	314,902	–	–	–	314,902	298,810
Drugs	2,139	–	–	–	2,139	862
Food costs	611,588	30.448	–	–	642,036	636,704
Utilities	571,703	–	–	–	571,703	538,813
Telephone and sundry	119,221	–	–	–	119,221	110,798
Travel	72,128	114,138	–	–	186,266	178,248
Professional and other fees	107,135	–	–	–	107,135	72,075
Advertising and public relations	14,682	–	–	–	14,682	5,541
Insurance	35,226	–	–	–	35,226	40,606
Equipment	360,339	–	–	–	360,339	340,689
Building and grounds	474,450	–	–	–	474,450	337,231
Interest	402,077	–	–	–	402,077	395,164
Ancillary operations	–	31,669	–	–	31,669	26,946
	19,003,456	417,009	80,005	519,325	20,019,795	19,589,052
Excess (deficiency) of revenue over expenses before the undernoted	45,747	30,153	140,266	(13,758)	202,408	520,730
Winnipeg Regional Health Authority prior year adjustment	–	–	40,001	–	40,001	(16,433)
Winnipeg Regional Health Authority future employee benefits recoverable (note 2)	352,778	–	–	–	352,778	–
Future employee pre-retirement benefits obligation	(126,280)	–	–	–	(126,280)	(240,904)
Excess (deficiency) of revenue over expenses	272,245	30,153	180,267	(13,758)	468,907	263,393
Fund balances, beginning of year	–	–	807,086	57,267	864,353	600,960
Transfer of Adult Day Program deficit	–	(30,153)	30,153	–	–	–
Transfer of operating surplus	(266,453)	–	266,453	–	–	–
Transfer to capital fund	(5,792)	–	–	5,792	–	–
Fund balances, end of year	$ –	$ –	$ 1,283,959	$ 49,301	$ 1,333,260	$ 864,353

See accompanying notes to financial statements.

Exhibit 3

CENTRE TACHÉ CENTRE

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 428,906	$ 279,826
Winnipeg Regional Health Authority prior year adjustment	40,001	(16,433)
Adjustments for:		
Amortization of capital assets	519,325	555,395
Amortization of deferred contributions related to capital assets	(505,567)	(542,216)
Change in non-cash operating working capital:		
Accounts receivable	7,497	(6,444)
Receivable from Winnipeg Regional Health Authority	(168,629)	(294,356)
Inventory	(2,481)	3,275
Prepaid expenses	13,973	7,303
Accounts payable	107,838	(55,232)
Future employee pre-retirement benefits recoverable	(126,280)	–
Accrued liabilities	239,811	106,096
Future employee pre-retirement benefits payable	126,280	240,904
Deferred contributions received related to future periods	15,061	31,570
Deferred contributions recognized as revenue in the year	(31,669)	(26,946)
	664,066	282,742
Investing:		
Increase in deferred contributions related to capital assets	2,976,883	660,463
Additions to capital assets	(107,960)	(39,353)
	2,868,923	621,110
Financing:		
Repayments on bank loans	(2,828,586)	(536,820)
Repayment on mortgages	(73,460)	(67,547)
Repayments on obligation under capital lease	–	(4,900)
	(2,902,046)	(609,267)
Increase in cash	630,943	294,585
Cash, beginning of year	2,138,468	1,843,883
Cash, end of year	$ 2,769,411	$ 2,138,468
Supplementary cash flow information:		
Interest paid	$ 402,593	$ 395,164

See accompanying notes to financial statements.

General:

Centre Taché Centre (the Corporation) was incorporated on July 9, 1968 under the laws of Manitoba as Taché Nursing Centre Hospitalier Taché Inc. and operates under the name Centre Taché Centre. The Corporation functions as a bilingual, long-term care facility dedicated to the bilingual elderly, chronically ill and disabled. The Centre also provides a respite program, as part of the operating fund, and a day centre program.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The Service Purchase Agreement expired March 31, 2007. The Corporation continues to operate under terms and conditions which are substantially the same as those previously agreed with the WRHA. Negotiations to finalize a new agreement are ongoing. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is allocated to the appropriate category in the Internally Restricted Fund and is recognized as revenue in the year in which the related expenses are incurred.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. Annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The amortization rates are as follows:

Asset	Rate
Land improvements	5%
Buildings	2%
Equipment and building service equipment	6 1/4 to 20%

(d) Leasehold estate:

The value assigned to the leasehold estate is being amortized against the deferred contribution to which it relates on a straight-line basis over the 60 year period of the lease.

(e) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's day centre program and ancillary activities are recorded in the Adult Day Program and Ancillary Operations Funds.

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1. **Significant accounting policies (continued):**

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are reported in the Operating Fund.

(f) Inventory:

Inventory is valued at cost.

(g) Employee benefits:

The Corporation records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the Corporation's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in note 4.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 4.85 percent (2006 - 5 percent), a rate of salary increase of 3 percent (2006 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

(h) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149(1) of the Act.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Receivable from (payable to) Winnipeg Regional Health Authority:

	2007	2006
Receivable:		
Prior years	$ 57,866	$ –
Resident charges	23,632	–
Capital interest	–	3,836
Employee retirement benefits	37,820	75,411
Other	6,279	3,946
Salaries and benefits	186,398	315,671
	311,995	398,864
Payable:		
Prior years	217,537	225,609
Resident charges	–	24,058
Capital interest	2,881	–
Other	599	350
	221,017	250,017
	90,978	148,847
Current future employee pre-retirement benefits recoverable (note 4)	226,498	–
Net receivable	$ 317,476	$ 148,847

Over/under funding occurs when non-global items (including resident charges revenue, interest expense or employee retirement benefits) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

3. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Land improvements	$ 454,843	$ 236,958	$ 217,885	$ 260,258
Buildings	13,897,065	5,713,261	8,183,804	8,511,372
Building service equipment	743,318	392,064	351,254	383,550
Equipment	3,010,365	2,563,157	447,208	453,002
Software licenses and fees	191,527	191,527	–	–
	$ 18,297,118	$ 9,096,967	$ 9,200,151	$ 9,608,182

4. Employee benefits:

The Corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2007, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $1,711,103 (2006 - $1,584,823) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for accrued vacation and pre-retirement benefits was initially determined as the amount owing as at March 31, 2004 and is recorded as a long-term receivable on the statement of financial position.

The Corporation has been notified that the incremental pre-retirement benefits liability for fiscal 2007 of $126,280 will be funded together with $226,498 relating to the incremental pre-retirement benefits liability for fiscal 2005 and 2006. As a result of the notification, additional revenue has been recorded in the current year. The Corporation expects to receive $226,498 in fiscal 2008.

Manitoba Health has guaranteed payment of the long-term receivables but has not communicated the terms of repayment. The amount of the receivables has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to the Corporation. The fair value of the receivables on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Beginning April 1, 2005, the WRHA established a policy of funding approximately 70 percent of actual pre-retirement benefits paid.

5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

6. Bank indebtedness:

At March 31, 2007, the Corporation had a $300,000 authorized line of credit available with no outstanding borrowings.

7. Bank loans:

	2007	2006
Building envelope retro-fit loan	$ –	$ 1,074,932
Elevator loan	–	169,557
Dining tower loan	–	1,584,097
	$ –	$ 2,828,586

The bank loans were held by La Caisse Populaire de Saint-Boniface Limitée, and bore interest at the Caisse Populaire's prime lending rate minus .25 percent, with the exception of the dining tower loan which bore interest at the Caisse Populaire's prime lending rate minus .75 percent.

In fiscal 2007, $2,300,000 in borrowings were transferred to the Province of Manitoba as disclosed in note 8.

8. Mortgages payable:

	2007	2006
7 7/8% first mortgage on 1973 construction, payable in monthly blended payments of $14,783, due April 1, 2023	$ 1,628,299	$ 1,677,432
First mortgage on 1978 construction, repayable in monthly blended payments of $13,375, due February 1, 2028. The stated interest rate is 10%. The effective interest rate after giving consideration to forgiveness clauses is 8%	1,752,757	1,777,084
	3,381,056	3,454,516
Current portion	79,897	73,459
	$ 3,301,159	$ 3,381,057

Both mortgages are payable to the Canada Mortgage and Housing Corporation.

Principal repayments required over the next five years and thereafter are as follows:

2008	$ 79,897
2009	86,908
2010	94,544
2011	102,859
2012	111,917
Thereafter	2,904,931
	$ 3,381,056

9. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for resident programs.

	2007	2006
Balance, beginning of year	$ 28,848	$ 24,224
Add amount received related to future periods	15,061	31,570
Less amount recognized as revenue in the year	(31,669)	(26,946)
	$ 12,240	$ 28,848

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 3,679,127	$ 3,560,880
Additional contributions received	2,976,883	660,463
Less amounts amortized to revenue	(505,567)	(542,216)
	$ 6,150,443	$ 3,679,127

On February 28, 2007 the Province of Manitoba approved the consolidation of $2,300,000 of the Corporation's borrowings with its Department of Finance. The advance has been recorded as a deferred contribution.

The advance received is governed by a promissory note payable to the Province of Manitoba which bears interest at 4.8 percent and requires monthly principal payments of $38,333 plus interest. At March 31, 2007, the outstanding principal balance on the note was $2,261,666. No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

9. Deferred contributions (continued):

The balance of unamortized capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized capital contributions used to purchase assets	$ 5,848,939	$ 3,350,293
Unspent contributions:		
Equipment reserve	155,782	203,002
Major repairs	126,495	103,435
Donations	19,227	22,397
	$ 6,150,443	$ 3,679,127

10. Capital fund:

	2007	2006
Capital assets	$ 9,200,151	$ 9,608,182
Leasehold estate	79,145	82,479
	9,279,296	9,690,661
Amount financed by:		
Deferred contributions	(5,848,939)	(3,350,293)
Bank loan	–	(2,828,586)
Mortgages	(3,381,056)	(3,454,515)
	$ 49,301	$ 57,267

11. Internally restricted fund:

	2007	2006
To be expended only with the approval of the Member of the Corporation	$ 1,025,273	$ 579,769
Other internal projects	258,686	227,317
	$ 1,283,959	$ 807,086

12. Related party transactions:

Foundation:

An amount of $60,000 (2006 - $66,000) was funded by Les Amis de Taché Friends Incorporated, a corporation with the same Member of the Corporation. An amount of $73,672 (2006 - nil) was transferred to Les Amis de Taché Friends Incorporated. These amounts are included in the statement of operations and changes in fund balances.

Shared services:

The Corporation and Foyer Valade Inc., a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. In addition to these shared services, the Corporation contributed services to Foyer Valade Inc. in the amount of $20,590 (2006 - $37,030) free of charge.

Included in accounts receivable is a balance of $70,376 receivable from (2006 - $4,190 payable to) Foyer Valade Inc. for services provided. This amount is presented net of balances owing to Foyer Valade Inc. for services received.

13. Employee pension plan:

Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Corporation contributed $710,460 (2006 - $655,695) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going concern deficiency and a solvency deficiency. As a result, contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8 percent and 8.4 percent, respectively.

14. Ladies Auxiliary - Taché Centre:

The Ladies Auxiliary - Taché Centre operates the gift shop at the Centre. The funds raised are used to enhance the residents' environment. The fund balance at March 31, 2007 is $35,682 (2006 - $40,591) and this amount is not included in the Corporation's financial statements.

15. Fair value:

The fair value of accounts receivable, receivable from Winnipeg Regional Health Authority, accounts payable and accrued liabilities approximates the carrying value due to their immediate or short-term nature.

The fair value of the mortgages payable is not practical to determine due to the underlying terms and conditions.

The fair value of the employee benefits recoverable and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority is not readily determinable given the underlying terms and conditions (note 4).

16. Leasehold estate:

The original Centre is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, at a rental of $1 per annum. The 60 year lease expires December 31, 2030. The land is held as a leasehold estate registered under the *Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor.

The 1971 estimated fair market value of the economic rent of the leasehold estate was $16,500 per annum, based on an appraisal made by E. Karl Farstad & Associates Ltd. as of January 17, 1972. The discounted present value of such rental over the 60 year period is estimated to be $200,000 using an interest factor of 8 ¼ percent per annum. The $200,000 discounted present value of the lease was recorded in the accounts at December 31, 1971 as an asset with an offsetting credit to deferred contributions to recognize the value of the donation of the leasehold estate made by Taché Hospital for Chronic and Geriatric Patients.

The addition to the original centre is situated on two properties leased from Despins Charities Inc. and the Catholic Health Corporation of Manitoba (CHCM), the Member of the Corporation, at a rental of $2 per annum. The leases expire December 31, 2030. The land is held as a leasehold estate registered under the *Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of these additional leases is reflected in the financial statements.

The Centre also leases additional property from Despins Charities Inc. at a rental of $1 per annum. No economic value of this additional lease is reflected in the financial statements.

17. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

CENTRE TACHÉ CENTRE

Schedule - Expenses

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Amortization	$ 519,325	$ 555,395
Salaries and wages:		
Resident services:		
Nursing administration	$ 385,426	$ 358,196
Registered nurses	1,807,643	1,714,904
Licensed practical nurses	980,376	1,036,104
Resident assistants	4,278,188	4,285,854
Purchased services	1,109,305	915,029
	8,560,938	8,310,087
Activity	298,233	295,631
Day Program	185,748	192,948
Dietary	1,422,534	1,383,781
General administration	876,516	911,692
Housekeeping	576,805	590,225
Laundry/linen	158,833	155,863
Medical administration fees	26,000	26,250
Occupational health	40,070	44,333
Occupational therapy/rehabilitation	199,550	210,932
Pastoral care	120,555	110,142
Physiotherapy	89,407	101,432
Plant maintenance	360,212	352,569
Social work	147,816	130,680
Special care outreach team	20,701	138,673
Staff development	167,762	157,331
Volunteer coordinator	17,416	20,230
	4,708,158	4,822,712
	$ 13,269,096	$ 13,132,799
Employee benefits:		
Canada pension plan	$ 469,773	$ 469,960
Employment insurance	263,866	276,847
Healthcare employees pension plan	710,460	655,695
Other employee benefits	331,213	333,567
Employee retirement benefits	51,456	96,065
Workers' compensation	378,831	419,477
	2,205,599	2,251,611
Health and education tax	265,126	254,985
	$ 2,470,725	$ 2,506,596

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Other supplies and expenses:		
Printing, stationery and office	$ 36,339	$ 34,758
Photocopying	3,203	3,690
Housekeeping and cleaning	38,879	36,722
Paper and disposable	38,936	37,635
Laundry and linen	9,094	9,208
Staff wearing apparel	6,672	10,362
Dietary and cleaning	21,630	15,925
Purchased services - laundry	224,581	221,172
Other supplies and expenses	119,470	42,303
	$ 498,804	$ 411,775
Medical and surgical supplies:		
General	$ 126,668	$ 118,318
Gastrostomy	11,299	9,664
Other	8,750	9,954
Incontinence aids	168,185	160,874
	$ 314,902	$ 298,810
Drugs:		
Oxygen and other	$ 2,139	$ 862
Food costs	$ 642,036	$ 636,704
Utilities:		
Fuel	$ 331,003	$ 318,779
Water	107,654	91,583
Hydro	133,046	128,451
	$ 571,703	$ 538,813
Telephone and sundry:		
Telephone	$ 61,274	$ 58,464
General expenses	23,679	19,071
Staff training	12,107	14,413
Postage	11,130	7,628
Other	11,031	11,222
	$ 119,221	$ 110,798

CENTRE TACHÉ CENTRE

Schedule - Expenses (continued)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Travel:		
Resident travel	$ 116,958	$ 123,175
Resident transportation	65,675	47,358
Board of Directors	–	1,026
Staff	3,633	6,689
	$ 186,266	$ 178,248
Professional and other fees:		
Service bureau fees	$ 26,817	$ 28,454
Audit fees	23,970	25,091
Legal fees	4,945	701
Association membership fees	16,279	17,209
Other	35,124	620
	$ 107,135	$ 72,075
Advertising and public relations:		
Advertising	$ 14,682	$ 5,503
Public relations	–	38
	$ 14,682	$ 5,541
Insurance	$ 35,226	$ 40,606
Equipment:		
Service contracts	$ 25,551	$ 21,600
Software contracts	65,622	57,628
Equipment maintenance	127,047	147,308
Minor purchases	142,119	114,153
	$ 360,339	$ 340,689
Buildings and grounds:		
Building repairs	$ 164,973	$ 81,587
Property taxes	303,010	249,461
Other	6,467	6,183
	$ 474,450	$ 337,231
Interest:		
Mortgage	$ 263,922	$ 270,351
Bank	138,155	124,813
	$ 402,077	$ 395,164
Ancillary operations	$ 31,669	$ 26,946
Total expenses	$ 20,019,795	$ 19,589,052

CENTRE TACHÉ CENTRE

Schedule of Operations - Adult Day Program

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Winnipeg Regional Health Authority	$ 365,136	$ 371,355
Day Program participants	50,157	53,497
Other	200	–
	415,493	424,852
Expenses:		
Salaries and wages	185,748	192,948
Employee benefits	34,366	35,426
Health and education tax	4,030	3,990
Other supplies and expenses	47,058	56,942
Participant transportation	114,138	117,673
	385,340	406,979
Operating income for the year	30,153	17,873
Transfer to internally restricted fund	$ 30,153	$ 17,873

KPMG

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AUDITORS' REPORT

To the Member of Clinique Youville Clinic Inc.

We have audited the statement of financial position of Clinique Youville Clinic Inc. as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

June 5, 2007

CLINIQUE YOUVILLE CLINIC INC.

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	$ 713,799	$ 590,937
Accounts receivable	41,197	29,366
Receivable from Winnipeg Regional Health Authority	37,335	15,563
Prepaid expenses	22,774	26,176
	815,105	662,042
Capital assets (note 2)	56,616	59,316
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 3)	94,017	85,157
	$ 965,738	$ 806,515
Liabilities, Deferred Contributions and Fund Balances		
Current liabilities:		
Accounts payable and accrued liabilities	$ 234,205	$ 269,017
Future employee pre-retirement benefits payable (note 3)	132,158	123,298
Deferred contributions for (note 4):		
Future expense	264,448	151,017
Capital assets	47,173	48,378
	311,621	199,395
Fund balances:		
Capital fund	9,443	10,938
Restricted (note 5)	245,710	213,531
Unrestricted	32,601	(9,664)
	287,754	214,805
Commitments (note 8)		
	$ 965,738	$ 806,515

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors:	Approved on behalf of the Member of the Corporation:
Chair,	Executive Director
Date le 14 juin, 2007	Date le 18 juin, 2007

CLINIQUE YOUVILLE CLINIC INC.

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

	Diabetes Education Resource	Community Nurse Resource Centre	Other Programs	Total Unrestricted Fund	Restricted	Capital Fund	2007 Total	2006 Total
Revenue:								
Winnipeg Regional Health Authority	$ 738,213	$ 1,471,396	$ –	$ 2,209,609	$ –	$ –	$ 2,209,609	$ 2,197,663
Other	16,484	16,703	–	33,187	–	–	33,187	75,717
Blue Cross fees	14,121	1,976	–	16,097	–	–	16,097	22,854
Amortization of deferred contributions related to capital assets (note 4)	–	–	–	–	–	16,957	16,957	17,946
Bonivital Seniors	–	–	33,562	33,562	–	–	33,562	39,930
Nobody's Perfect Program	–	–	65,750	65,750	–	–	65,750	68,294
Youth Asset Mapping	–	–	–	–	–	–	–	5,182
Interest and donations	–	–	–	–	32,179	–	32,179	17,786
Osteoporosis	–	–	3,171	3,171	–	–	3,171	1,014
Community Connections	–	–	642	642	–	–	642	1,547
Healthy Baby Program	–	–	40,759	40,759	–	–	40,759	32,491
Community Development Officer	–	–	–	–	–	–	–	3,125
On the Move	–	–	4,016	4,016	–	–	4,016	7,873
Communication and Special Project	–	–	650	650	–	–	650	14,532
Smoking Cessation video - French	–	–	584	584	–	–	584	703
Smoking Cessation video - English	–	–	2,274	2,274	–	–	2,274	22,473
Young Adult Type I	–	–	–	–	–	–	–	13,932
Bishop Grandin Greenway	–	–	16,995	16,995	–	–	16,995	16,963
Sharing Circle	–	–	–	–	–	–	–	99
	768,818	1,490,075	168,403	2,427,296	32,179	16,957	2,476,432	2,560,124
Expense:								
Amortization of capital assets	–	–	–	–	–	18,452	18,452	22,022
Salaries and benefits	656,363	1,160,355	127,311	1,944,029	–	–	1,944,029	2,011,904
Building, equipment and maintenance	118,274	156,559	–	274,833	–	–	274,833	300,827
Printing, stationery and telephone	26,758	31,119	4,075	61,952	–	–	61,952	67,020
Supplies and services	27,093	56,923	37,017	121,033	–	–	121,033	98,710
Clinical supplies	3,845	2,047	–	5,892	–	–	5,892	5,226
	832,333	1,407,003	168,403	2,407,739	–	18,452	2,426,191	2,505,709
Excess of revenue over expense (expense over revenue) before the undernoted	(63,515)	83,072	–	19,557	32,179	(1,495)	50,241	54,415
Winnipeg Regional Health Authority future employee benefits revenue	13,055	18,513	–	31,568	–	–	31,568	–
Future employee pre-retirement benefit expense	(3,664)	(5,196)	–	(8,860)	–	–	(8,860)	(18,660)
Excess of revenue over expense (expense over revenue)	(54,124)	96,389		42,265	32,179	(1,495)	72,949	35,755
Fund balances, beginning of year				(9,664)	213,531	10,938	214,805	179,050
Fund balances, end of year				$ 32,601	$ 245,710	$ 9,443	$ 287,754	$ 214,805

See accompanying notes to financial statements.

CLINIQUE YOUVILLE CLINIC INC.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

		2007		2006
Operating activities:				
Excess of revenue over expense	$	72,949	$	35,755
Add (deduct):				
Amortization of capital assets		18,452		22,022
Amortization of deferred contributions related to capital assets		(16,957)		(17,946)
Change in non-cash working capital balances:				
Accounts receivable		(11,831)		3,149
Receivable from Winnipeg Regional Health Authority		(21,772)		68,625
Prepaid expenses		3,402		(15,100)
Future employee pre-retirement benefits recoverable		(8,860)		–
Accounts payable and accrued liabilities		(34,812)		42,971
Future employee pre-retirement benefits payable		8,860		18,660
Deferred contributions received related to future expense		154,066		106,763
Deferred contributions recognized as revenue in the year		(40,635)		(70,873)
		122,862		194,026
Investing activities:				
Deferred contributions received related to capital assets		15,752		–
Additions to capital assets		(15,752)		–
		–		–
Increase in cash		122,862		194,026
Cash, beginning of year		590,937		396,911
Cash, end of year	$	713,799	$	590,937

See accompanying notes to financial statements.

General:

The Corporation was established March 3, 1983 by the Grey Nuns of Manitoba, without share capital and operates under the name Centre Youville Centre. Effective October 5, 2000, the Catholic Health Corporation of Manitoba assumed sponsorship. The Corporation operates two health resource centres, a Community Health Resource Centre in St. Vital and a Diabetes Education Resource Centre in St. Boniface. The mandate of the Corporation includes:

- The creation of a comprehensive community based resource for the promotion of healthy lifestyles by assisting people to assume responsibility for their own health and well-being, and to create an awareness of their own resources by offering education, direction and support.
- Nurse managed care and an expanded role outside of the traditional illness focused model of care for health professionals.
- Services for people across their life span with health care teams working together with the community to support programs that range from: maternal child health to chronic diseases; prenatal to parenting workshops; adolescent to women's health services; as well as a community health information line.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation follows the deferral method of accounting for contributions, which include donations and government grants.

Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA). The Corporation's Service Purchase Agreement with the WRHA expires March 31, 2009.

In accordance with the terms and conditions of the Service Purchase Agreement between the Corporation and the WRHA, annual operating deficits are the responsibility of the Corporation. The Corporation may retain the greater of 50 percent of the annual operating surplus and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

The Restricted fund represents funds received through donations and interest income. All expenditures from this fund requires the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are reported in the Unrestricted Fund.

(d) Capital assets:

Capital assets are recorded at cost and are amortized over their estimated useful lives using the following annual rates and methods:

Asset	Basis	Rate
Furniture and fixtures	Declining balance	20%
Computer equipment	Declining balance	30%
Leasehold improvements	Straight-line	5 years

1. Significant accounting policies (continued):

(e) Future employee benefits:

The cost of the Corporation's employee retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 4.85 percent (2006 - 5 percent), a rate of salary increase of 3 percent (2006 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

(f) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(g) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 97,790	$ 78,454	$ 19,336	$ 24,171
Computer equipment	230,628	193,348	37,280	34,128
Leasehold improvements	220,072	220,072	–	1,017
	$ 548,490	$ 491,874	$ 56,616	$ 59,316

3. Future employee pre-retirement benefits:

The Corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2007, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $132,158 (2006 - $123,298) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for accrued vacation and pre-retirement benefits was initially determined as the amount owing as at March 31, 2004 and is recorded as a long-term receivable on the statement of financial position.

The Corporation has been notified that the incremental pre-retirement benefits liability for fiscal 2007 of $8,860 will be funded together with $22,708 relating to the $38,141 incremental pre-retirement benefits liability for fiscal 2005 and 2006. As a result of the notification, additional revenue has been recorded in the current year. The Corporation expects to receive $22,708 in fiscal 2008 and, accordingly, this has been recorded as receivable from WRHA.

Manitoba Health has guaranteed payment of the long-term receivables but has not communicated the terms of repayment. The amount of the receivables has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to the Corporation. The fair value of the receivables on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Beginning April 1, 2005, the WRHA established a policy of funding approximately 70 percent of actual pre-retirement benefits paid.

4. Deferred contributions:

(a) Future expense:

Deferred contributions related to future expense represent unspent externally restricted grants and donations for research, education and programs.

	2007	2006
Balance, beginning of year	$ 151,017	$ 115,127
Add amount received related to future periods	154,066	106,763
Less amount recognized as revenue in the year	(40,635)	(70,873)
	$ 264,448	$ 151,017

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 48,378	$ 66,322
Additional contributions received	15,752	–
Less amounts amortized to revenue	(16,957)	(17,944)
	$ 47,173	$ 48,378

5. Restricted funds:

Funds designated as restricted require the approval of the Board of Directors before disbursement.

6. Employee pension plan:

Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan (the Plan). As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. The Corporation's liability under the Plan is limited to the contributions required during the year.

6. Employee pension plan (continued):

During the year, the Corporation contributed $89,529 (2006 - $92,078) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going concern deficiency and a solvency deficiency. Deficiencies are addressed either through pension benefit reductions or rate increases. As a result, contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8 percent and 8.4 percent, respectively.

7. Other information:

The Regina Grey Nuns and the Grey Nuns of Manitoba Inc. have contributed $1,489,026 to the Clinique Youville Clinic Inc., from its incorporation to March 31, 2007. There have been no contributions by these organizations since 1996 and 2001, respectively.

8. Commitments:

The Corporation has committed to lease premises for the St. Boniface centre through January 31, 2010 as per the following schedule:

2008	$ 62,682
2009	63,583
2010	53,322

In addition to the above, the Corporation has committed to lease premises in the St. Vital centre with a lease commitment annually of $90,000 to January 31, 2011.

9. Fair value:

The fair value of cash, accounts receivable, receivable from WRHA and accounts payable and accrued liabilities approximates their carrying value due to the short-term nature of these financial instruments.

The fair value of the future employee benefits recoverable from WRHA and the future employee benefits payable is not readily determinable given the underlying terms and conditions.

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Auditors' Report

To the Board of Directors of
DONWOOD MANOR PERSONAL CARE HOME INC.

We have audited the statement of financial position of **DONWOOD MANOR PERSONAL CARE HOME INC.** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget figures presented have not been audited, and are presented for informational purposes only.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 4, 2007

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Cash (Note 6)	$ 243,578	$ 65,741
Accounts receivable (Note 2)	12,501	46,614
Prepaid expenses	24,350	17,247
Inventories	23,575	20,667
Due from related parties (Note 3)	32,801	17,274
Vacation entitlements receivable (Note 4)	273,191	273,191
	609,996	440,734
Retirement obligations receivable (Note 4)	417,348	372,737
Restricted Cash and Deposits		
Expenses of future periods	77,974	92,212
Capital assets (Note 5)	6,738,876	6,995,293
	$ 7,844,194	$ 7,900,976
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accruals	$ 434,197	$ 265,863
Due to WRHA (Note 7)	183,386	263,364
Mortgage amortization grant received in advance	4,274	4,274
Accrued vacation entitlements	305,480	294,811
	927,337	828,312
Accrued retirement obligations	417,016	372,405
Deferred Contributions (Note 8)		
Expenses of future periods	74,844	74,749
Capital assets	6,641,971	6,898,388
	6,716,815	6,973,137
Commitments and contingencies (Note 10)		
Net assets (Page 5)	(216,974)	(272,878)
	$ 7,844,194	$ 7,900,976

Approved on behalf of the Governing Board

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Operations

For the year ended March 31		**2007**	2006
	Budget	**Actual**	Actual
Revenue			
Winnipeg Regional Health Authority (Note 11)	**$ 4,330,112**	**$ 4,346,571**	$ 4,258,606
Private charges	**1,620,856**	**1,662,704**	1,601,797
Amortization of deferred contributions related to capital assets (Note 8)	**-**	**311,827**	309,632
Recoveries	**126,886**	**132,344**	136,160
Interest income	**6,616**	**12,540**	4,617
	6,084,470	**6,465,986**	6,310,812
Expenditures			
Operating (Page 17)	**6,055,521**	**6,098,255**	6,032,215
Interest on long-term debt	**28,949**	**-**	-
Amortization of capital assets	**-**	**311,827**	309,632
	6,084,470	**6,410,082**	6,341,847
Excess (deficiency) of revenue over expenditures before other item	**-**	**55,904**	(31,035)
Other Item			
Change in accrued retirement obligations			
WRHA funding accrued	**-**	**(44,611)**	-
Liability for the year	**-**	**44,611**	50,914
Excess of revenue over expenditures for year (Page 5)	**$ -**	**$ 55,904**	$ 19,879

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Changes in Net Assets

For the year ended March 31			**2007**	2006
	Investment in Capital Assets (Note 9)	**Unrestricted**	**Total**	Total
Balance, beginning of year	**$ 96,905**	**$ (369,783)**	**$ (272,878)**	$ (292,757)
Excess of revenue over expenditures for year (Page 4)	**-**	**55,904**	**55,904**	19,879
Balance, end of year (Page 3)	**$ 96,905**	**$ (313,879)**	**$ (216,974)**	$ (272,878)

DONWOOD MANOR PERSONAL CARE HOME INC.

Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenditures for year	$ 55,904	$ 19,879
Amortization of capital assets	311,827	309,632
Amortization of deferred contributions related to capital assets	(311,827)	(309,632)
	55,904	19,879
Changes in non-cash working capital		
Accounts receivable	34,113	(12,117)
Prepaid expenses	(7,103)	(801)
Inventories	(2,908)	1,107
Due from related entities	(15,527)	176,104
Accounts payable and accrued liabilities	168,334	79,455
Due to WRHA	(79,978)	(554)
Accrued vacation entitlements	10,669	18,177
	107,600	261,371
Retirement obligations receivable	(44,611)	-
Accrued retirement obligations	44,611	(50,914)
	-	(50,914)
	163,504	230,336
Cash Flows from Financing Activities		
WRHA funding - capital	55,410	21,955
Increase (decrease) in deferred contributions related to expenses of future periods	95	(24,251)
	55,505	(2,296)
Cash Flows from Investing Activities		
Purchase of capital assets	(55,410)	(21,955)
Increase (decrease) in restricted cash and deposits	14,238	(634)
	(41,172)	(22,589)
Net increase in cash and cash equivalents	177,837	205,451
Cash and cash equivalents, beginning of year	65,741	(139,710)
Cash and cash equivalents, end of year	$ 243,578	$ 65,741
Supplementary Information		
Interest received	$ 12,469	$ 4,617

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

DONWOOD MANOR PERSONAL CARE HOME INC.

Summary of Significant Accounting Policies

March 31, 2007

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Home is funded primarily through the Winnipeg Regional Health Authority (WRHA) by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect discussions with WRHA with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement dated March 6, 2002.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue Recognition (cont'd)

Restricted investment income is recognized as revenue in the year in which the related expenditures are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are carried at the lower of cost and net realizable value, cost being determined on a first-in, first-out basis.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Commencing with the 2004-05 fiscal year, out-of-globe funding for these costs is not provided by Manitoba Health/WRHA.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Facility's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following rates:

Buildings	- 40 years
Furniture and equipment	- 10 years

Financial Instruments

The Home's financial instruments consist of cash, accounts receivable, due from related parties, accounts payable and due to WRHA. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

DONWOOD MANOR PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2007

Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Entity Definition

Donwood Manor Personal Care Home Inc. changed its name effective June 3, 1997. Previously it was known as the Mennonite Brethren Geriatric Association of Metro Winnipeg Inc., which was incorporated on February 13, 1969. The entity continues to provide residential care and has retained its registration as a charitable organization.

Effective April 1, 1999, funding is provided by the Winnipeg Regional Health Authority. The Winnipeg Regional Health Authority is responsible for the overall planning and integration of services and the appropriate allocation of funding to Winnipeg's hospitals, community based health services, long-term care services, health promotion and disease prevention services.

Donwood Manor Personal Care Home Inc. is a member of the Donwood Group of companies which operate under the control of a common Board of Directors and provide long-term care and assisted living services to senior citizens in Winnipeg. Other entities in the Group include Donwood Manor EPH Inc., Donwood South Inc., Winnipeg Condominium Corporation No. 297 and Donwood West Inc.

Also related to the Group is The Donwood Foundation Inc. by virtue of overlapping board membership and management.

Consolidated financial statements for the Group have been compiled, however separate financial statements are presented for each entity to facilitate reporting to the funders and other users of each entity.

2. Accounts Receivable

	2007	2006
Receivable from residents	$ **76**	$ 4,848
LTCAM members	**3,193**	-
Goods and Services Tax	**9,232**	8,097
Insurance claim	-	33,669
	$ **12,501**	$ 46,614

3. Related Party Transactions

	2007	2006
Donwood Manor EPH Inc.	$ 2,651	$ 6,419
Donwood South Inc.	1,145	509
Donwood Manor Foundation Inc.	28,140	10,442
Winnipeg Condominium Corporation No. 297	865	(96)
	$ 32,801	$ 17,274

Amounts due from (to) related parties are non-interest bearing with no specific terms of repayment. Administrative salaries are charged to Winnipeg Condominium Corporation No. 297 in the amount of $5,547 (2006 - $5,935). These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties), which approximates the arm's length equivalent for sales of product or services.

4. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations was capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and has been recorded as a receivable on the statement of financial position in the amount of $372,737. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. This has resulted in an increase to receivables and revenues in the amount of $44,611 for the 2007 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, the outstanding receivable as at March 31, 2004, which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the statement of operations following the "deficiency of revenue over expenditures before other items" balance adjusted for WRHA funding commitments to the Home. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

5. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 15,000**	**$ -**	$ 15,000	$ -
Buildings	**9,476,211**	**2,920,412**	9,476,211	2,684,996
Furniture and equipment	**1,046,498**	**878,421**	991,088	802,010
	$ 10,537,709	**$ 3,798,833**	$ 10,482,299	$ 3,487,006
Cost less accumulated amortization		**$ 6,738,876**		$ 6,995,293

6. Bank Indebtedness

The Home has an approved line of credit of $500,000 with the Royal Bank of Canada. This line of credit is secured by a general assignment of book debts and bears interest at prime.

7. Due to (from) WRHA

	2007	2006
2000/2001 funding adjustment	**$ 151,404**	$ 151,404
2001/2002 funding adjustment	**27,276**	27,276
2002/2003 funding adjustment	**(59,071)**	(59,071)
2003/2004 funding adjustment	**80,066**	80,066
2004/2005 funding adjustment	**84,460**	84,460
2005/2006 funding adjustment	**(20,771)**	(20,771)
2006/2007 funding adjustment	**(79,978)**	-
	$ 183,386	$ 263,364

The reviews of the 2000/2001, 2001/2002, 2002/2003, 2003/2004, 2004/2005 and 2005/2006 fiscal years, as well as the current year, are still not completed at this time; however the Home has adjusted the amounts reflected as due to (from) the WRHA for these years to reflect its current estimate of possible settlement based on the outcome of the completed reviews for earlier years. The Home anticipates settlement of the 2000/2001 to 2003/2004 fiscal years to occur during the next fiscal year.

8. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted grants for major repairs, equipment replacement and insurance deductibles.

	2007	2006
Balance, beginning of year	**$ 74,749**	$ 99,000
Add amount received during the year	**26,311**	26,311
Less 2006/2007 expenditures	**(26,216)**	(50,562)
Balance, end of year	**$ 74,844**	$ 74,749

Capital assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

Changes in the deferred contribution balance are as follows:

	2007	2006
Balance, beginning of year	**6,898,388**	7,186,065
Additional contributions received		
WRHA	**55,410**	21,955
Less amounts amortized to revenue	**(311,827)**	(309,632)
Balance, end of year	**$ 6,641,971**	$ 6,898,388

9. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	**$ 6,738,876**	$ 6,995,293
Amounts financed by		
Deferred contributions	**(6,641,971)**	(6,898,388)
	$ 96,905	$ 96,905

B. Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	**$ 311,827**	$ 309,632
Amortization of capital assets	**(311,827)**	(309,632)
	$ -	$ -
Net changes in investment in capital assets		
Purchase of capital assets	**$ 55,410**	$ 21,955
Amounts funded by		
WRHA capital asset funding	**(55,410)**	(21,955)
	$ -	$ -

10. Commitments and Contingencies

a) The nature of the Home's activities is such that there may be litigation pending or in prospect at any time. With respect to claims at March 31, 2007 management believes the Home has valid defences and appropriate insurance coverage in place or has made sufficient provision for any unissured payments to be made. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons to exchange with other persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, if any, experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

The Home is a named insured under the WRHA policy with HIROC.

11. Revenue from the WRHA

Revenue as per WRHA final fundingdocument (adjusted)	**$ 4,282,898**
Add:	
Median funding adjustment	**109,418**
Pneumo vaccine	**687**
Out of Globe	
Pre-retirement	**2,711**
Abbot Lab/Ecolab rebates	**88**
	112,904
Deduct	
Residential charges overpayment 2006/07	**(41,848)**
Insurance deductible	**(1,500)**
Reserve major repairs	**(3,621)**
Brokerage and engineering fees paid by WRHA	**(2,262)**
	(49,231)
Revenue from WRHA	**$ 4,346,571**

12. Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2005 indicates the plan in deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the plan made during the year by the Home on behalf of its employees amounted to $260,794 (2006 - $239,182) and are included in the statement of operations.

13. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable for the fiscal years ending March 31, 2005 and 2006.

For the fiscal year ending March 31, 2007, the WRHA has agreed to fund the change in pre-retirement leave and as such, the receivable has been adjusted to reflect this.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Donwood Manor PCH).

DONWOOD MANOR PERSONAL CARE HOME INC.

Schedule of Supplementary Information

For the year ended March 31	2007		2006
	Budget	Actual	Actual
Operating Costs			
Salaries			
Nursing services	$ 2,861,669	$ 2,857,590	$ 2,828,043
Special services	228,779	223,294	238,132
General services	1,199,655	1,168,172	1,178,568
Medical and surgical supplies and drugs	84,657	100,535	105,804
Special service - recreation therapy	7,593	7,683	8,066
Employee benefits			
Canada pension plan	174,019	169,276	170,584
Employee insurance	115,130	92,877	98,967
Pension	260,000	260,794	239,182
Payroll tax	86,959	92,447	93,045
Workers compensation	61,942	56,564	61,082
Dental	19,777	22,847	22,888
Group life	6,604	7,953	7,640
Pre-retirement leave	-	2,711	27,127
Disability and Rehabilitation	73,994	70,863	68,256
Bonding and liability insurance	2,025	2,873	3,338
Membership fees			
Association and group purchasing fees	5,062	3,241	3,106
Advertising	4,024	5,708	2,464
Office			
Photocopy costs	30,067	8,884	9,289
Postage and courier	-	5,802	5,329
Printing and stationery	-	11,463	11,185
Telephone and fax	-	10,001	9,527
Other	-	603	(146)
Professional fees	20,628	43,823	18,730
Staff training and travel	21,767	9,316	9,378
Computer expense	23,013	45,578	37,459
Resident's travel	5,062	2,893	5,186
Bank charges and interest	3,996	2,281	3,990
Dietetics	244,759	302,686	273,116
Laundry and linen	96,411	87,734	87,189
Housekeeping	19,235	18,056	18,504
Physical plant			
Fuel	87,707	100,234	93,533
Water	31,586	45,541	30,970
Electricity	85,728	88,797	82,366
Property insurance	8,827	8,554	8,698
Property taxes	102,722	79,284	93,320
Maintenance - building, grounds and equipment	82,124	81,297	78,300
Total operating costs	$ 6,055,521	$ 6,098,255	$ 6,032,215

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AUDITORS' REPORT

To the Member of Foyer Valade Inc.

We have audited the statement of financial position of Foyer Valade Inc. as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 4, 2007

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative. KPMG Canada provides services to KPMG LLP.

FOYER VALADE INC.

Statement of Financial Position

Exhibit 1
Page 2

March 31, 2007, with comparative figures for 2006

Assets

	2007	2006
Current assets:		
Cash	$ 1,008,163	$ 616,296
Construction holdback held in trust	8,415	101,707
Accounts receivable	65,055	79,330
Receivable from Winnipeg Regional Health Authority (note 2)	19,901	–
Pledges receivable	–	17,000
Inventory	29,613	27,659
Prepaid expenses	41,104	39,227
	1,172,251	881,219
Residents' funds in trust (note 5)	16,948	13,645
Employee benefits recoverable from Winnipeg Regional Health Authority (note 4)	288,336	288,336
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 4)	426,303	398,028
Capital assets (note 3)	10,774,683	7,275,598
	$ 12,678,521	$ 8,856,826

	2007	2006

Liabilities, Deferred Contributions and Fund Balances

	2007	2006
Current liabilities:		
Bank indebtedness (note 6)	$ 193,658	$ 246,893
Accounts payable	173,678	645,029
Accrued liabilities	761,550	597,675
Payable to Winnipeg Regional Health Authority (note 2)	–	19,443
Bank loan (note 7)	196,764	1,038,341
	1,325,650	2,547,381
Residents' funds in trust (note 5)	16,948	13,645
Future employee pre-retirement benefits payable (note 4)	427,090	398,815
	444,038	412,460
	1,769,688	2,959,841
Deferred contributions for (note 8):		
Expenses of future periods	2,712	2,314
Capital assets	10,473,175	5,484,618
	10,475,887	5,486,932
Fund balances:		
Capital fund (note 9)	1,104	1,710
Internally restricted fund (note 10)	431,842	408,343
	432,946	410,053
	$ 12,678,521	$ 8,856,826

See accompanying notes to financial statements.

On behalf of the Board of Directors:

Date 27 juin 2007

On behalf of the Member of the Corporation:

McPherson

Date: June 27, 2007

FOYER VALADE INC.

Exhibit 2
Page 3

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

	Operating Fund	Ancillary Operations	Internally Restricted Fund	Capital Fund	2007 Total	2006 Total
Revenue:						
Winnipeg Regional Health Authority	$ 4,991,167	$ –	$ –	$ –	$ 4,991,167	$ 4,313,554
Resident charges	1,771,737	–	–	–	1,771,737	1,591,498
	6,762,904	–	–	–	6,762,904	5,905,052
Amortization of deferred contributions (note 8)	–	–	–	359,002	359,002	175,177
Offset income:						
Cafeteria	31,915	–	–	–	31,915	26,888
Contributed services (note 11)	20,590	–	–	–	20,590	37,030
Interest	3,452	–	32,293	–	35,745	24,101
Donations	2,669	–	470	–	3,139	1,143
Fundraisers	–	–	3,227	–	3,227	5,395
Parking	26,981	–	–	–	26,981	21,272
Shared services (note 11)	164,534	–	–	–	164,534	216,800
Grants	6,929	–	–	–	6,929	3,634
Recoveries:						
General	66,512	–	–	–	66,512	58,329
Ancillary operations (note 8)	–	3,015	–	–	3,015	3,379
	323,582	3,015	35,990	–	362,587	397,971
	7,086,486	3,015	35,990	359,002	7,484,493	6,478,200
Expenses:						
Amortization	–	–	–	359,608	359,608	175,782
Salaries and wages	5,064,288	–	–	–	5,064,288	4,515,959
Employee benefits	811,663	–	–	–	811,663	771,912
Other supplies and expenses	172,024	–	11,930	–	183,954	157,888
Medical and surgical supplies	68,349	–	–	–	68,349	76,685
Drugs	2,577	–	–	–	2,577	992
Food costs	215,287	–	–	–	215,287	192,942
Utilities	183,037	–	–	–	183,037	156,763
Telephone and sundry	53,369	–	–	–	53,369	33,749
Travel	23,168	–	–	–	23,168	20,336
Professional and other fees	64,475	–	–	–	64,475	36,656
Advertising and public relations	8,955	–	–	–	8,955	6,992
Insurance	16,684	–	–	–	16,684	15,863
Equipment	114,115	–	–	–	114,115	72,373
Buildings and grounds	215,587	–	–	–	215,587	153,885
Interest	78,154	–	–	–	78,154	–
Ancillary operations	–	3,015	–	–	3,015	3,379
	7,091,732	3,015	11,930	359,608	7,466,285	6,392,156
Excess (deficiency) of revenue over expenses before the undernoted	(5,246)	–	24,060	(606)	18,208	86,044
Winnipeg Regional Health Authority prior year adjustment	–	–	4,216	–	4,216	(16,313)
Winnipeg Regional Health Authority future employee benefits recoverable (note 2)	28,744	–	–	–	28,744	–
Future employee pre-retirement benefits obligation	(28,275)	–	–	–	(28,275)	73,524
Excess (deficiency) of revenue over expenses	(4,777)	–	28,276	(606)	22,893	143,255
Fund balances, beginning of year	–	–	408,343	1,710	410,053	266,798
Transfer of operating deficiency	4,777	–	(4,777)	–	–	–
Fund balances, end of year	$ –	$ –	$ 431,842	$ 1,104	$ 432,946	$ 410,053

See accompanying notes to financial statements.

Exhibit 3
Page 4

FOYER VALADE INC.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 18,677	$ 159,568
Winnipeg Regional Health Authority prior year adjustment	4,216	(16,313)
Adjustments for:		
Amortization of capital assets	359,608	175,782
Amortization of deferred contributions related to capital assets	(359,002)	(175,177)
Change in non-cash operating working capital:		
Construction holdback held in trust	93,292	(101,707)
Accounts receivable	14,275	(63,080)
Pledges receivable	17,000	53,000
Payable to/receivable from Winnipeg Regional Health Authority	(39,344)	(91,929)
Inventory	(1,954)	2,530
Future employee pre-retirement benefits recoverable	(28,275)	–
Prepaid expenses	(1,877)	(10,992)
Accounts payable	(471,351)	457,909
Accrued liabilities	163,875	134,393
Future employee pre-retirement benefits payable	28,275	(73,524)
Deferred contributions received related to future periods	3,413	2,910
Deferred contributions recognized as revenue in the year	(3,015)	(3,379)
	(202,187)	449,991
Investing:		
Increase in deferred contributions related to capital assets	5,347,559	99,630
Additions to capital assets	(3,858,693)	(2,178,468)
	1,488,866	(2,078,838)
Financing:		
Bank indebtedness	(53,235)	246,893
Bank loan (repayments)	(841,577)	1,038,341
Repayments on obligation under capital lease	–	(1,812)
	(894,812)	1,283,422
Increase (decrease) in cash	391,867	(345,425)
Cash, beginning of year	616,296	961,721
Cash, end of year	$ 1,008,163	$ 616,296
Supplementary cash flow information:		
Interest paid	$ 194,406	$ 17,740

See accompanying notes to financial statements.

General:

Foyer Valade Inc. (the Corporation) was established January 22, 1976 under the laws of Manitoba as Foyer St. Boniface Inc. - St. Boniface Home Inc. and subsequently changed its name to Foyer Valade Inc. in 1988 to coincide with the relocation of the facility to River Road. The Corporation functions as a long-term care facility dedicated to the French speaking elderly, chronically ill and disabled.

1. Significant accounting policies:

(a) Revenue recognition:

The Corporation is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. The Service Purchase Agreement expired March 31, 2007. The Corporation continues to operate under terms and conditions which are substantially the same as those previously agreed with the WRHA. Negotiations to finalize a new agreement are ongoing. Operating grants are recorded as revenue in the period to which they relate.

The Corporation follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted investment income is recognized in the Operating Fund in the year in which it is earned. Restricted investment income is allocated to the appropriate category in the Internally Restricted Fund and is recognized as revenue in the year in which the related expenses are incurred.

Volunteers are an integral part of carrying out the activities of the Corporation. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

1. Significant accounting policies (continued):

(b) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of the Corporation. Annual operating surpluses less than 2 percent of the net cost of insured services are retained by the Corporation. Those surpluses that are retained by the Corporation are subject to review by the WRHA. Annual operating surpluses in excess of 2 percent of the net cost of insured services are repayable to the WRHA.

(c) Capital assets:

Capital asset purchases are recorded at cost and equipment donations are recorded at fair market value at the time of receipt. Amortization is recorded for the full year in the year of acquisition and no amortization is taken in the year of disposal.

Amortization is calculated using the straight-line method at rates which amortize the assets over their estimated useful lives. The amortization rates are as follows:

Asset	Rate
Building	2% to 2.5%
Equipment and building service equipment	6 1/4 to 20%

(d) Fund accounting:

Assets, liabilities, revenues and expenses related to the Corporation's capital assets are recorded in the Capital Fund.

Assets, liabilities, revenues and expenses related to the Corporation's ancillary activities are recorded in Ancillary Operations Fund.

The Internally Restricted Fund represents funds received through donations, interest and retainable surpluses from operations. Certain expenditures from the fund require the approval of the Member of the Corporation, while the remaining expenditures require only the approval of the Board of Directors.

All other assets, liabilities, revenues and expenses are recorded in the Operating Fund.

1. Significant accounting policies (continued):

(e) Inventory:

Inventory is valued at cost.

(f) Employee benefits:

The Corporation records a provision for employee benefits comprised of accrued vacation. A further provision for future employee pre-retirement benefits, being an actuarial estimate of the Corporation's obligation to make a cash payment to certain qualifying employees based on years of service upon retirement, has also been recorded. Funding for portions of these obligations remains outstanding as disclosed in note 4.

The cost of the Corporation's employee pre-retirement benefits is accrued as earned based on an actuarial estimation.

The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Corporation's future employee benefit payable include mortality and withdrawal rates, a discount rate of 4.85 percent (2006 - 5 percent), a rate of salary increase of 3 percent (2006 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Income taxes:

The Corporation is a registered charity within the meaning of the *Income Tax Act* and therefore is exempt from income taxes under Section 149 (1) of the Act.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Receivable from (payable to) Winnipeg Regional Health Authority:

	2007	2006
Receivable:		
Resident charges	$ 29,826	$ –
Prior years	8,564	–
Employee retirement benefits	9,409	10,520
Other	31,075	820
Salaries and benefits	64,267	127,038
	143,141	138,378
Payable:		
Resident charges	–	3,584
Prior years	105,108	154,237
Interest	18,601	–
	123,709	157,821
	19,432	(19,443)
Current future employee pre-retirement benefits recoverable (note 4)	469	–
Net receivable (payable)	$ 19,901	$ (19,443)

Over/under funding occurs when non-global items (including resident charges revenue, interest expense, or employee retirement benefits) are over/under the amounts budgeted by the Winnipeg Regional Health Authority. Over/under funded amounts are payable to/receivable from the Winnipeg Regional Health Authority.

3. Capital assets:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Building	$ 13,196,769	$ 2,908,164	$ 10,288,605	$ 4,648,102
Building service equipment	60,033	26,677	33,356	37,931
Equipment	1,590,027	1,137,305	452,722	136,674
Software licenses and fees	86,209	86,209	–	–
Renovations in progress	–	–	–	2,452,891
	$ 14,933,038	$ 4,158,355	$ 10,774,683	$ 7,275,598

During the year, the Corporation completed the construction of a 38 bed addition to the existing facility with total expenditures incurred of $6,285,960 of which $2,452,891 was incurred in fiscal 2006.

3. Capital assets (continued):

The Corporation capitalized interest in the amount of $102,915 (2006 - $14,883) during the year.

4. Employee benefits:

The Corporation maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2007, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $427,090 (2006 - $398,815) for which the Corporation has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for accrued vacation and pre-retirement benefits was initially determined as the amount owing as at March 31, 2004 and is recorded as a long-term receivable on the statement of financial position.

The Corporation has been notified by the WRHA that the incremental pre-retirement liability for fiscal 2007 of $28,275 will be funded together with $469 relating to a portion of the incremental pre-retirement benefits liability for fiscal 2005 and 2006. As a result of the notification, additional revenue has been recorded in the current year. The Corporation expects to receive $469 in fiscal 2008.

Manitoba Health has guaranteed payment of the long-term receivables, but has not communicated the terms of repayment. The amount of the receivables has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to the Corporation. The fair value of the receivables on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Beginning April 1, 2005, the WRHA established a policy of funding approximately 70 percent of actual pre-retirement benefits paid.

5. Residents' funds in trust:

Residents' funds in trust represents monies held in trust for the residents in the name of the Corporation and generally do not exceed $400 per resident.

6. Bank indebtedness:

At March 31, 2007, the Corporation had an authorized line of credit of $275,525 of which $193,658 was used to finance a portion of the Corporation's contribution towards the 38 bed addition. The line of credit bears interest at the bank's prime rate less 0.25 percent per annum. Interest is payable monthly in arrears and the principal is payable on demand. Les Amis de Valade Inc., a corporation with the same Member of the Corporation, has also provided a guarantee as security for this loan.

The Corporation has an additional $100,000 authorized line of credit available with no outstanding borrowings.

7. Bank loan:

The bank loan was held by the Royal Bank of Canada and bore interest at the bank's prime lending rate minus 0.80 percent.

In fiscal 2007, $5,200,000 in borrowings were transferred to the Province of Manitoba as disclosed in note 8.

The bank loan outstanding at March 31, 2007 is held by La Caisse Populaire de Saint-Boniface Limitée, is repayable on demand, is supported by a borrowing resolution of the Board of Directors together with borrowing approval from the WRHA, and bears interest at the Caisse Populaire's prime lending rate minus .50 percent. The loan is being repaid at $1,740 monthly, plus interest.

8. Deferred contributions:

(a) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations for separate programs.

		2007		2006
Balance, beginning of year	$	2,314	$	2,783
Add amount received related to future periods		3,413		2,910
Less amount recognized as revenue in the year		(3,015)		(3,379)
	$	2,712	$	2,314

8. Deferred contributions (continued):

(b) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations, grants and pledges received or receivable for the purchase of capital assets. The amortization of these contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 5,484,618	$ 5,560,165
Additional contributions received	5,347,559	99,630
Less amounts amortized to revenue	(359,002)	(175,177)
	$ 10,473,175	$ 5,484,618

On February 28, 2007, the Province of Manitoba approved the consolidation of $5,200,000 of the Corporation's borrowings with its Department of Finance. The advance has been recorded as a deferred contribution.

The advance received is governed by a promissory note payable to the Province of Manitoba which bears interest at 5.1 percent and required monthly principal payments of $21,667 plus interest. At March 31, 2007, the outstanding principal balance on the note was $5,178,334. No further funding is expected to be received with respect to this obligation and no revenue or expense is recorded in connection with its extinguishment, except for the amortization of the deferred contribution.

The balance of unamortized capital contributions related to capital assets consists of the following:

	2007	2006
Unamortized capital contributions used to purchase assets	$ 10,383,157	$ 5,393,102
Unspent contributions:		
Equipment reserve	66,461	71,960
Major repairs	23,557	19,556
	$ 10,473,175	$ 5,484,618

FOYER VALADE INC.

Notes to Financial Statements (continued)

Year ended March 31, 2007

9. Capital fund:

	2007	2006
Capital assets	$ 10,774,683	$ 7,275,598
Amount financed by:		
Deferred contributions	(10,383,157)	(5,393,102)
Accounts payable	–	(595,552)
Bank loan	(196,764)	(1,038,341)
Line of credit	(193,658)	(246,893)
	$ 1,104	$ 1,710

10. Internally restricted fund:

	2007	2006
To be expended only with the approval of the Member of the Corporation	$ 388,058	$ 357,148
Other internal projects	43,784	51,195
	$ 431,842	$ 408,343

11. Related party transactions:

Foundation:

An amount of $36,775 (2006 - $47,500) was funded by Les Amis de Valade Inc., a corporation with the same Member of the Corporation. An amount of $8,512 (2006 - nil) was transferred to Les Amis de Valade Inc. These amounts are included in the statement of operations and changes in fund balances.

Shared services:

The Corporation and Centre Taché Centre, a corporation with the same Board of Directors and Member of the Corporation, have an agreement to share the cost of specific employee services based on the time spent on each entity. In addition to these shared services, Centre Taché Centre contributed services to the Corporation in the amount of $20,590 (2006 - $37,030) free of charge.

Included in accrued liabilities is a balance of $70,376 payable to (2006 - $4,190 receivable from) Centre Taché Centre for services received. This amount is presented net of balances owing to Centre Taché Centre for services received.

12. Employee pension plan:

Eligible employees of the Corporation are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Corporation is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period.

During the year, the Corporation contributed $259,052 (2006 - $229,829) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going concern deficiency and a solvency deficiency. As a result, contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8 percent and 8.4 percent, respectively.

13. Fair value:

The fair value of accounts receivable, receivable from/payable to Winnipeg Regional Health Authority, bank indebtedness, accounts payable, accrued liabilities and bank loan approximates their carrying value due to their immediate or short-term nature.

The fair value of the employee benefits recoverable and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority is not readily determinable given the underlying terms and conditions (note 4).

14. Leasehold estate:

The facility is situated on property leased from Despins Charities Inc., a corporation with the same Member of the Corporation, at a rental of $1 per annum. The sixty year lease expires June 30, 2046. The land is held as a leasehold estate registered under *The Real Property Act* in the Winnipeg Land Titles Office. At the termination of the lease, the title to the land reverts to the lessor. No economic value of this lease is reflected in the financial statements.

15. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

FOYER VALADE INC.

Schedule - Expenses

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Amortization	$ 359,608	$ 175,782
Salaries and wages:		
Resident services:		
Nursing administration	$ 148,316	$ 111,882
Registered nurses	684,842	579,731
Licenced practical nurses	521,585	526,290
Resident assistants	1,658,909	1,533,432
Purchased services	274,230	145,011
	3,287,882	2,896,346
Activity	92,937	104,379
Dietary	508,296	430,008
General administration	436,938	409,526
Housekeeping	234,450	223,032
Laundry/linen	69,361	66,301
Medical administration fee	3,667	2,750
Occupational health	15,065	17,145
Occupational therapy/rehabilitation	26,560	24,050
Pastoral care	54,397	48,855
Physiotherapy	13,250	12,980
Plant maintenance	110,124	101,493
Social work	47,140	27,964
Staff development	129,775	126,642
Volunteer coordinator	34,446	24,488
	1,776,406	1,619,613
	$ 5,064,288	$ 4,515,959
Employee benefits:		
Canada pension plan	$ 176,163	$ 163,717
Employment insurance	100,264	96,746
Healthcare employees pension plan	259,052	229,829
Other employee benefits	112,526	111,508
Employee retirement benefits	12,801	24,371
Workers' compensation	54,661	56,979
	715,467	683,150
Health and education tax	96,196	88,762
	$ 811,663	$ 771,912

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Other supplies and expenses:		
Printing, stationery and office	$ 17,802	$ 7,442
Photocopying	2,360	1,680
Housekeeping and cleaning	10,636	8,024
Paper and disposable	15,287	14,237
Laundry and linen	7,878	6,498
Staff wearing apparel	11,625	10,555
Dietary and cleaning	19,227	24,150
Purchased service - laundry	73,902	70,584
Other supplies and expenses	25,237	14,718
	$ 183,954	$ 157,888
Medical and surgical supplies:		
General	$ 26,577	$ 26,512
Gastrostomy	616	2,542
Incontinence aids	41,156	47,631
	$ 68,349	$ 76,685
Drugs:		
Oxygen and other	$ 2,577	$ 992
Food costs	$ 215,287	$ 192,942
Utilities:		
Fuel	$ 65,351	$ 53,870
Water	36,262	32,138
Hydro	81,424	70,755
	$ 183,037	$ 156,763
Telephone and sundry:		
Telephone	$ 13,517	$ 12,454
General expenses	29,182	5,662
Staff training	6,146	8,085
Postage	4,524	4,143
Other	–	3,405
	$ 53,369	$ 33,749

FOYER VALADE INC.

Schedule - Expenses (continued)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Travel:		
Resident travel	$ 4,107	$ 4,130
Resident transportation	14,071	11,081
Staff	4,990	4,612
Board of Directors	–	513
	$ 23,168	$ 20,336
Professional and other fees:		
Service bureau fees	$ 11,858	$ 11,753
Audit fees	13,889	14,903
Legal fees	1,109	1,122
Association membership fees	8,495	7,886
Other	29,124	992
	$ 64,475	$ 36,656
Advertising and public relations	$ 8,955	$ 6,992
Insurance	$ 16,684	$ 15,863
Equipment:		
Service contracts	$ 18,814	$ 20,022
Software contracts	27,575	28,396
Equipment maintenance	10,162	11,044
Minor purchases	57,564	12,911
	$ 114,115	$ 72,373
Buildings and grounds:		
Building repairs	$ 91,767	$ 35,923
Property taxes	123,820	117,962
	$ 215,587	$ 153,885
Interest	$ 78,154	$ –
Ancillary operations	$ 3,015	$ 3,379
Total expenses	$ 7,466,285	$ 6,392,156

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AUDITORS' REPORT

To the Board of Directors of Fred Douglas Society Inc.

We have audited the statement of financial position of Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc., as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Division as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The current year's supplementary information included in the schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 18, 2007

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

Assets

	2007	2006
Current assets:		
Cash (note 2)	$ 235,420	$ 180,949
Accounts receivable (note 3)	98,104	498,040
Inventories and prepaid expenses	29,388	15,123
Employee benefits recoverable from Winnipeg Regional Health Authority [note 12(iii)]	355,603	355,603
Short-term investments (note 4)	156,309	199,705
Receivable from related entities (note 5)	85,000	85,000
	959,824	1,334,420
Investments (note 4)	129,907	75,278
Receivable from related entities (note 5)	686,485	775,316
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 12(i)]	501,248	475,983
Capital assets (note 6)	4,643,676	4,822,887
	$ 6,921,140	$ 7,483,884

	2007	2006

Liabilities, Deferred Contributions and Net Assets

	2007	2006
Current liabilities:		
Bank indebtedness (note 7)	$ –	$ 4,529
Accounts payable and accrued liabilities	805,505	768,245
Accounts payable to Winnipeg Regional Health Authority	–	362,389
Payable to residents	15,073	13,596
Current portion of long-term debt (note 8)	458,799	542,255
	1,279,377	1,691,014
Future employee pre-retirement benefits payable [note 12(i)]	474,266	449,001
Long-term debt (note 8)	326,234	337,996
Deferred contributions (note 9):		
Donations	4,497	2,412
Expenses of future periods	7,832	6,577
Capital assets	3,528,679	3,677,774
Equipment reserve	52,747	65,049
Reserve for major repairs	240,631	297,642
	3,834,386	4,049,454
Net assets:		
Unrestricted	229,875	160,202
Invested in capital assets (note 10)	777,002	796,217
	1,006,877	956,419
Commitment (note 13)		
	$ 6,921,140	$ 7,483,884

See accompanying notes to financial statements.

On behalf of the Board:

____________________ Director

____________________ Director

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Winnipeg Regional Health Authority - Operating	$ 5,066,228	$ 4,981,144
Winnipeg Regional Health Authority - Adult Day Program	183,141	184,653
Resident charges	1,841,245	1,850,533
Participant charges - Adult Day Program	30,714	31,209
Donations and grants	2,121	75,024
Amortization of deferred contributions (note 9)	337,636	258,716
	7,461,085	7,381,279
Other income:		
Ancillary	37,734	32,983
Interest	42,961	36,236
Cafeteria	78,926	99,881
Other	27,204	26,172
	186,825	195,272
Total revenue	7,647,910	7,576,551
Expenses:		
Operating	7,138,960	7,075,288
Adult Day Program	211,751	205,549
Amortization of capital assets	246,741	241,398
	7,597,452	7,522,235
Excess of revenue over expenses before the undernoted	50,458	54,316
Future employee pre-retirement benefits [note 12(i)]	(25,265)	53,361
Funding for employee pre-retirement benefits payable [note 12(i)]	25,265	–
Allowance for advances receivable from Fred Douglas Heritage House Inc.	–	(16,061)
Excess of revenue over expenses	$ 50,458	$ 91,616

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Unrestricted	Invested in capital assets	2007 Total	2006 Total
Net assets, beginning of year	$ 160,202	$ 796,217	$ 956,419	$ 864,803
Excess (deficiency) of revenue over expenses	67,590	(17,132)	50,458	91,616
Transfer for long-term debt	2,083	(2,083)	–	–
Net assets, end of year	$ 229,875	$ 777,002	$ 1,006,877	$ 956,419

See accompanying notes to financial statements.

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Operating activities:		
Excess of revenue over expenses	$ 50,458	$ 91,616
Adjustments for:		
Amortization of capital assets	246,741	241,398
Amortization of deferred contributions related to capital assets	(229,608)	(224,256)
Change in the following:		
Restricted cash	74,070	(14,076)
Accounts receivable	399,936	(358,789)
Inventories and prepaid expenses	(14,265)	2,054
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(25,265)	–
Accounts payable and accrued liabilities	37,260	39,743
Accounts payable to Winnipeg Regional Health Authority	(362,389)	221,621
Payable to residents	1,477	(288)
Future employee pre-retirement benefits payable	25,265	(53,361)
Net increase in deferred contributions related to donations, expenses of future periods, and reserve for major repairs	(53,671)	20,225
	150,009	(34,113)
Financing and investing activities:		
Deferred contributions received for capital assets and equipment reserves	68,211	63,160
Repayment of long-term debt	(95,218)	(97,277)
Decrease (increase) in receivable from related entities:		
Fred Douglas Heritage House Inc.	146,607	170,146
Other	(57,776)	(42,851)
Purchase of capital assets	(67,530)	(49,948)
Increase in investments	(11,233)	(9,419)
	(16,939)	33,811
Increase (decrease) in cash	133,070	(302)
Bank indebtedness, beginning of year	(4,529)	(4,227)
Cash (bank indebtedness), end of year (note 2)	$ 128,541	$ (4,529)

See accompanying notes to financial statements.

General:

The Fred Douglas Personal Care Home, a Division of Fred Douglas Society Inc. (the Division) operates a senior citizens complex in Winnipeg, Manitoba.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements include only the assets, liabilities, operations and net assets of the Division. These financial statements have been prepared solely for the purposes of management. As these financial statements have not been prepared for general purposes, readers may require further information. Non-consolidated financial statements of Fred Douglas Society Inc. have been prepared for distribution to the Board of Directors.

(b) Revenue recognition:

The Division follows the deferral method of accounting for contributions, which includes government funding.

The Division is funded primarily by the Winnipeg Regional Health Authority (WRHA) in accordance with a Service Purchase Agreement. Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements with respect to the year ended March 31, 2007. The Division's Service Purchase Agreement with the WRHA expired March 31, 2007. The Division continues to operate under terms and conditions which are substantially the same as those previously agreed with the WRHA. Negotiations to finalize a new agreement are ongoing.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

Investment income is recognized as revenue when earned.

1. Significant accounting policies (continued):

(c) Operating deficits or surpluses:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits of the Division are the responsibility of the Division. Any operating surpluses of the Division are subject to review by the WRHA. The Division may retain the greater of 50 percent of the Personal Care Home's operating surplus and 2 percent of the Personal Care Home's global budget as provided by the WRHA, in any fiscal year. The remaining operating surplus in any fiscal year is repayable to the WRHA.

(d) Investments:

The investments are recorded at cost plus accrued interest and are written down to market value when there has been a permanent decline in value. Investments of the Division are pooled with the investments of Fred Douglas Apartments, a Division of Fred Douglas Society Inc.. The income on the investments is allocated to each division in proportion to the respective amounts invested by each division throughout the year.

(e) Capital assets:

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When a capital asset no longer contributes to the Division's ability to provide services, its carrying amount is written-down to its residual value. Amortization is provided on a straight-line basis at the following rates:

Asset	Rate
Buildings	40 years
Furniture and equipment	5 to 10 years
Software	3 years

(f) Future employee pre-retirement benefits payable:

The cost of the Division's employee pre-retirement benefits payable is accrued as earned based on an actuarial estimation. The estimation of future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

1. Significant accounting policies (continued):

The significant actuarial assumptions adopted in measuring the Division's future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 4.85 percent (2006 - 5.0 percent), a rate of salary increase of 3 percent (2006 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

(g) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(h) Income taxes:

Fred Douglas Society Inc. is exempt from tax under Section 149 of the *Income Tax Act.*

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. Cash:

	2007	2006
Unrestricted cash	$ 128,541	$ –
Restricted cash	106,879	180,949
	$ 235,420	$ 180,949

Restricted cash, along with restricted investments disclosed in note 4, represents cash held for deferred contributions related to donations, expenses of future periods, equipment reserve and reserve for major repairs as well as cash held in trust for residents.

3. Accounts receivable:

	2007	2006
Accounts receivable	$ 7,858	$ 22,791
Receivable from Winnipeg Regional Health Authority:		
Pre-retirement leave	78,102	175,678
MNU contract increases	–	371
MGEU contract increases	85,830	381,295
Other	1,964	16,256
Resident charges	(75,650)	(98,351)
	$ 98,104	$ 498,040

4. Investments:

	2007		2006	
	Average effective yield	Total	Average effective yield	Total
Canadian bonds	3.86%	$ 129,907	4.22%	$ 199,220
Money market fund		156,309		75,763
		286,216		274,983
Current portion, shown as short-term investments		156,309		199,705
		$ 129,907		$ 75,278

The fair value of investments is $287,546 (2006 - $277,301) based on quoted market prices.

The allocation of investments between unrestricted and restricted is as follows:

	2007	2006
Unrestricted investments	$ 73,518	$ 70,656
Restricted investments	212,698	204,327
	$ 286,216	$ 274,983

5. Receivable from related entities:

The receivable from (payable to) related entities are as follows:

	2007	2006
Fred Douglas Heritage House Inc.:		
Advances receivable, net of allowance of $78,743 (2006 - $78,743)	$ 164,733	$ 227,024
Demand debenture receivable	447,039	531,355
Fred Douglas Foundation, Inc.	25,600	20,240
Fred Douglas Apartments	(1,290)	7,559
Fred Douglas Residence	135,403	74,138
	771,485	860,316
Current portion of demand debenture receivable	85,000	85,000
	$ 686,485	$ 775,316

Fred Douglas Heritage House Inc. is an organization controlled by Fred Douglas Society Inc.. The advances receivable from Fred Douglas Heritage House Inc. bear interest at prime rate and are repayable out of available working capital. The advances are secured by the same security as disclosed for the demand debenture receivable. Interest charged on the advances during the year was $15,553 (2006 - $16,061).

The demand debenture receivable from Fred Douglas Heritage House Inc. is due on demand, bears interest at prime rate, requires monthly principal and interest payments of $9,450 and is secured by a second mortgage on the leasehold interests of Fred Douglas Heritage House Inc.. During the year, the Division charged interest of $29,083 (2006 - $26,225) on the demand debenture receivable.

The Division has waived its right to demand repayment of the advances receivable and $362,039 of the demand debenture receivable prior to April 1, 2008.

Fred Douglas Foundation, Inc. is an organization over which Fred Douglas Society Inc. exercises significant influence. Fred Douglas Apartments and Fred Douglas Residence are divisions of Fred Douglas Society Inc.. The receivables from (payable to) these entities are non-interest bearing, with no fixed terms of repayment and are unsecured.

6. Capital assets:

	Cost	Accumulated amortization	2007 Net book value	2006 Net book value
Land	$ 17,137	$ –	$ 17,137	$ 17,137
Buildings	9,535,675	5,202,151	4,333,524	4,473,238
Furniture and equipment	1,456,171	1,163,156	293,015	330,249
Software	24,076	24,076	–	2,263
	$ 11,033,059	$ 6,389,383	$ 4,643,676	$ 4,822,887

7. Bank indebtedness:

The Division has a demand revolving credit facility with a maximum limit of $500,000. The operating credit line bears interest at prime rate. The facility is secured by the same security as disclosed in note 8 on the demand term loans. The Division had not drawn on the facility at March 31, 2007 (2006 - $4,529).

8. Long-term debt:

	2007	2006
7.75% mortgage, Canada Mortgage and Housing Corporation, payable $3,095 monthly including principal and interest, secured by a mortgage against the property located at 1275 Burrows Avenue, maturing October 1, 2022	$ 337,994	$ 348,896
Royal Bank of Canada demand term loans, interest at bank prime, payable $9,450 monthly including principal and interest, maturing September 30, 2007	447,039	531,355
	785,033	880,251
Current portion of long-term debt	458,799	542,255
	$ 326,234	$ 337,996

The demand term loans are secured by a general security agreement and a second charge collateral mortgage against the property located at 1275 Burrows Avenue.

8. Long-term debt (continued):

Principal due over the next five years and thereafter is as follows:

2008	$ 458,799
2009	12,690
2010	13,693
2011	14,775
2012	15,942
Thereafter	269,134

9. Deferred contributions:

(a) Donations:

Deferred contributions related to donations represent restricted funding received for specific improvement projects and enhancements to resident living. The amortization of the contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 2,412	$ –
Contributions received	3,199	20,001
Amounts recorded in revenue	(1,114)	(17,589)
Balance, end of year	$ 4,497	$ 2,412

(b) Expenses of future periods:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses related to insurance deductibles. The amortization of the contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 6,577	$ 5,169
Contributions received	1,488	1,488
Amounts amortized to revenue	(233)	(80)
Balance, end of year	$ 7,832	$ 6,577

9. Deferred contributions (continued):

(c) Capital assets:

Deferred contributions related to capital assets represent the unamortized amount of grants and other contributions received for the purchase of capital assets. The amortization of the contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 3,677,774	$ 3,840,034
Transfer from deferred contributions - equipment reserve	36,102	22,836
Transfer from deferred contributions - major repairs reserve	–	19,922
Contributions received	44,411	19,238
Amounts amortized to revenue	(229,608)	(224,256)
Balance, end of year	$ 3,528,679	$ 3,677,774

(d) Equipment reserve:

Deferred contributions related to equipment reserve represent unspent contributions for the future purchase of capital assets. When the capital assets are purchased, an equivalent amount is transferred from this reserve to the deferred contributions related to capital assets.

	2007	2006
Balance, beginning of year	$ 65,049	$ 43,963
Contributions received	23,800	43,922
Transfer to deferred contributions - capital assets	(36,102)	(22,836)
Balance, end of year	$ 52,747	$ 65,049

9. Deferred contributions (continued):

(e) Reserve for major repairs:

Deferred contributions related to reserve for major repairs represent restricted funding received for the future purchase of equipment replacement and major repairs. The amortization of the contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 297,642	$ 301,159
Contributions received	50,784	50,784
Amounts amortized to revenue	(107,795)	(34,379)
Transfer to deferred contributions - capital assets	–	(19,922)
Balance, end of year	$ 240,631	$ 297,642

10. Invested in capital assets:

Invested in capital assets is calculated as follows:

	2007	2006
Capital assets	$ 4,643,676	$ 4,822,887
Deferred contributions	(3,528,679)	(3,677,774)
Long-term debt	(337,995)	(348,896)
	$ 777,002	$ 796,217

11. Related party transactions:

During the year, the Division charged $9,996 (2006 - $7,181) as a management fee to Fred Douglas Apartments, a Division of Fred Douglas Society Inc.. During the year, the Division also charged a service fee of $3,240 (2006 - nil) to Fred Douglas Heritage House Inc..

During the year, the Division charged $37,957 (2006 - $53,856) in food service costs to Fred Douglas Residence, a Division of Fred Douglas Society Inc..

During the year, the Division received $1,101 (2006 - $42,892) in funding for improvements and resident services, and $2,025 (2006 - $6,589) in funding for capital assets from Fred Douglas Foundation, Inc..

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

12. Future employee benefits and employee benefits:

(i) The Division maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2007 based on the latest valuation, the pre-retirement benefit plan's obligations are estimated to be approximately $474,266 (2006 - $449,001) for which the Division has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

Pursuant to a directive from Manitoba Health, the amount of funding which will be provided by the WRHA for pre-retirement benefits has been capped at the amount owing as at March 31, 2004. The WRHA has also communicated its intention to fund the increase in the liability for the current year. These amounts have been recorded as receivable on the statement of financial position. Manitoba Health has guaranteed payment of these amounts but have not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to the Division. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Information about the Division's employee pre-retirement benefit plan is as follows:

	2007	2006
Net benefit cost expensed in statement of operations:		
Benefits paid	$ 28,098	$ 73,185
Future employee pre-retirement benefits	25,265	(53,361)
WRHA funding for pre-retirement benefits paid	20,652	57,450
WRHA funding for change in pre-retirement benefits payable	25,265	–
Future employee pre-retirement benefits payable	474,266	449,001

12. Future employee benefits and employee benefits (continued):

(ii) All eligible employees of the Division are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined benefit pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, the Division is accounting for the plan as a defined contribution plan. The cost of the plan is recognized based on the contributions required to be made during each period. During the year, the Division contributed $290,835 (2006 - $257,957) on behalf of its employees.

The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going concern deficiency and a solvency deficiency. As a result, contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8 percent and 8.4 percent, respectively.

(iii) The cost of the Division's vacation benefits is accrued when the benefits are earned by the employees and is included in accounts payable and accrued liabilities on the statement of financial position. The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $355,603. This amount is reported as employee benefits recoverable on the statement of financial position.

13. Commitment:

The Society has entered into a service purchase agreement for transportation service for the adult day program that expires March 31, 2008. The annual service costs under this agreement is approximately $77,000.

14. Fair value of financial assets and financial liabilities:

The fair value of investments is disclosed in note 4.

The fair values of the receivable from related entities and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority are not practical to determine due to their underlying terms and conditions.

The fair value of long-term debt is approximately $842,000 compared to its carrying value of $785,033. Fair value of the long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to the Division.

The fair value of the Division's other financial assets and liabilities approximates carrying value due to their short term to maturity.

15. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

FRED DOUGLAS PERSONAL CARE HOME
A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Nursing services:		
Medical and surgical supplies	$ 42,967	$ 46,621
Incontinence supplies	59,593	57,765
Nursing administration	2,760	2,760
	105,320	107,146
Resident services:		
Activities	5,483	6,496
Other	8,085	5,354
	13,568	11,850
General administration:		
Advertising	2,420	2,128
Audit and professional fees	36,339	25,913
Bank charges and interest	1,412	1,125
Bonding and insurance	5,070	6,712
Data processing and communications	39,446	32,331
Delivery and courier	1,928	1,415
Equipment lease and maintenance	22,832	19,713
Meetings and miscellaneous	6,605	4,276
Labor relations	395	878
Licenses and membership fees	3,691	2,177
Postage	1,927	4,235
Printing, stationery and office supplies	8,312	9,034
Staff and resident events and appreciation	11,809	5,090
Travel	3,542	1,718
	145,728	116,745
Dietary:		
Food	283,825	283,535
Glassware and cutlery	2,598	2,830
Management fee	13,627	27,255
Supplies	17,465	15,759
	317,515	329,379
Laundry:		
Supplies	11,000	7,542
Linen:		
Supplies	7,668	3,208
Housekeeping:		
Management fee	–	868
Maintenance and supplies	27,038	25,310
	27,038	26,178
Carried forward	627,837	602,048

FRED DOUGLAS PERSONAL CARE HOME

A DIVISION OF FRED DOUGLAS SOCIETY INC.

Schedule - Operating Expenses (continued)

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Brought forward	$ 627,837	$ 602,048
Physical plant:		
Operations:		
Electricity	77,689	75,433
Natural gas	101,395	110,781
Insurance	13,680	13,907
Taxes	51,862	56,398
Water	47,823	43,343
Maintenance and repairs:		
Buildings and grounds	133,868	185,656
Equipment	38,215	25,933
Other	4,160	3,892
Bank loans interest	29,083	26,225
Long-term debt interest	26,168	26,971
	523,943	568,539
Salaries:		
Nursing	3,421,241	3,249,753
Administration	426,843	496,536
Resident services	241,648	220,747
Dietary	449,901	490,601
Support services	471,604	460,656
Employee benefits	964,172	962,727
Accrued vacation	11,771	23,681
	5,987,180	5,904,701
Total operating expenses	$ 7,138,960	$ 7,075,288

PKBW GROUP 219 Fort Street Winnipeg, Manitoba Canada R3C 1E2

PKBW
GROUP
CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

AUDITORS' REPORT

To The Advisory Board
Holy Family Nursing Home Revenue Fund and
Sister Servants of Mary Immaculate Plant Fund

We have audited the statement of financial position of Holy Family Nursing Home Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2007 and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Holy Family Nursing Home Revenue Fund and Sisters Servants of Mary Immaculate Plant Fund as at March 31, 2007 and the results of their operations, changes in net assets and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS
& BUSINESS ADVISORS INC.

Winnipeg, Manitoba
May 25, 2007

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2007

ASSETS

	REVENUE FUND	PLANT FUND	2007 TOTAL	2006 TOTAL
CURRENT ASSETS				
Cash (Note 3)	$ 453,772	437,814	891,586	1,078,181
Accounts receivable	98,485	34,062	132,547	127,405
Due from WRHA (Note 2(a))	644,775	8,334	653,109	723,175
Due from WRHA - Accrued vacation pay and pre-retirement leave (Note 4)	1,732,396	-	1,732,396	1,666,522
Inventory	51,594	-	51,594	51,706
Prepaid expenses	12,708	-	12,708	12,211
	2,993,730	480,210	3,473,940	3,659,200
INVESTMENTS (Note 3)	-	200,000	200,000	200,000
CAPITAL ASSETS (Notes 2(c) and 5)	-	5,466,483	5,466,483	5,343,842
	$ 2,993,730	6,146,693	9,140,423	9,203,042

LIABILITIES AND NET ASSETS

	REVENUE FUND	PLANT FUND	2007 TOTAL	2006 TOTAL
CURRENT LIABILITIES				
Accounts payable and accrued liabilities	$ 1,180,759	40,309	1,221,068	1,509,175
Accrued vacation pay and pre-retirement leave (Note 4)	2,075,496	-	2,075,496	1,952,690
Current portion of long-term debt (Note 6)	-	125,602	125,602	139,002
Due to (from) revenue/ plant fund	(219,862)	219,862	-	-
	3,036,393	385,773	3,422,166	3,600,867
LONG-TERM DEBT (Note 6)	-	2,968,903	2,968,903	3,095,331
DEFERRED CONTRIBUTIONS				
Expenses of future periods	-	-	-	20,723
Capital assets (Notes 2(d) and 7)	-	1,477,786	1,477,786	1,208,086
	-	1,477,786	1,477,786	1,228,809
NET ASSETS				
Externally restricted net assets	-	211,951	211,951	236,412
Internally restricted net assets	232,043	-	232,043	232,043
Net assets invested in capital assets	-	859,950	859,950	870,369
Unrestricted net assets	(274,706)	242,330	(32,376)	(60,789)
	(42,663)	1,314,231	1,271,568	1,278,035
	$ 2,993,730	6,146,693	9,140,423	9,203,042

APPROVED BY THE BOARD:

____________________ Director

____________________ Director

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF OPERATIONS
YEAR ENDED MARCH 31, 2007

	REVENUE AND PLANT FUND	ADULT DAY CARE PROGRAM	2007 TOTAL	2006 TOTAL
REVENUE				
Resident services				
Winnipeg Regional Health Authority (Note 10)	$ 10,369,414	193,116	10,562,530	10,491,581
Resident/ participant charges	3,880,105	25,187	3,905,292	3,791,095
	14,249,519	218,303	14,467,822	14,282,676
Offset income				
Dietary	160,964	-	160,964	161,153
Investment income (Note 8)	19,165	-	19,165	14,806
Amortization of deferred capital contributions	343,155	-	343,155	338,110
Miscellaneous	102,813	-	102,813	116,240
	626,097	-	626,097	630,309
	14,875,616	218,303	15,093,919	14,912,985
EXPENSES				
Salaries and wages				
Nursing services	7,897,679	-	7,897,679	7,735,003
Special services	799,015	-	799,015	817,736
General services	2,878,730	119,520	2,998,250	2,892,452
	11,575,424	119,520	11,694,944	11,445,191
Nursing services	232,086	-	232,086	254,781
Special services	96,490	-	96,490	90,912
General administration	594,170	84,372	678,542	684,437
Dietary	695,381	6,352	701,733	688,244
Laundry	223,660	-	223,660	299,965
Linen	27,371	-	27,371	27,545
Housekeeping	41,547	-	41,547	37,404
Physical plant	745,844	-	745,844	779,568
Debt structure and amortization (Note 2)	576,677	-	576,677	578,702
	14,808,650	210,244	15,018,894	14,886,749
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES BEFORE OTHER ITEM	66,966	8,059	75,025	26,236
Unfunded employee future benefits (Note 4)	(76,784)	-	(76,784)	(112,555)
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES - REVENUE FUND	(9,818)	8,059	(1,759)	(86,319)
ADD: PLANT FUND INCOME (Note 8)	30,172	-	30,172	31,167
EXCESS (DEFICIENCY) REVENUE OVER EXPENSES	$ 20,354	8,059	28,413	(55,152)

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2007

PLANT FUND EXTERNALLY RESTRICTED NET ASSETS	MAJOR BUILDING REPAIRS - PHASE 1	MAJOR BUILDING REPAIRS - PHASE 2	2007 TOTAL	2006 TOTAL
BALANCE, BEGINNING OF YEAR	$ 74,800	161,612	236,412	213,276
Add: Appropriation for year	8,136	15,000	23,136	23,136
	82,936	176,612	259,548	236,412
Deduct: Approved expenditures	-	47,597	47,597	-
BALANCE, END OF YEAR	$ 82,936	129,015	211,951	236,412

REVENUE FUND INTERNALLY RESTRICTED NET ASSETS	UNIFORMS	BEDDING AND LINEN	PAINTING AND DECORATING	2007 TOTAL	2006 TOTAL
BALANCE, BEGINNING OF YEAR	$ 2,502	26,095	203,446	232,043	172,043
Add: Appropriation for year	-	-	-	-	60,000
BALANCE, END OF YEAR	$ 2,502	26,095	203,446	232,043	232,043

NET ASSETS INVESTED IN CAPITAL ASSETS	2007	2006
BALANCE, BEGINNING OF YEAR	$ 870,369	880,787
Add (deduct): Net assets invested in capital assets	(10,419)	(10,418)
BALANCE, END OF YEAR	$ 859,950	870,369

UNRESTRICTED NET ASSETS	UNFUNDED EMPLOYEE FUTURE BENEFITS (Note 4)	REVENUE FUND	TOTAL REVENUE FUND	PLANT FUND	2007 TOTAL	2006 TOTAL
BALANCE, BEGINNING OF YEAR	$ (266,316)	(6,631)	(272,947)	212,158	(60,789)	(5,637)
Add (deduct): Excess (deficiency) of revenue over expenses	(76,784)	75,025	(1,759)	30,172	28,413	(55,152)
BALANCE, END OF YEAR	$ (343,100)	68,394	(274,706)	242,330	(32,376)	(60,789)

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
STATEMENT OF CASH FLOW
YEAR ENDED MARCH 31, 2007

	2007	2006
Excess (deficiency) of revenue over expenditures	$ 28,413	(55,152)
Add non-cash item(s):		
Amortization of capital assets	343,155	338,110
Amortization of deferred capital contributions	(413,277)	(408,969)
Net assets invested in capital assets	(10,419)	(10,418)
	(52,128)	(136,429)
Change in non-cash working capital:		
Accounts receivable	(5,142)	12,015
Due from WRHA	70,066	(22,465)
Due from WRHA - Accrued vacation pay and pre-retirement leave	(65,874)	-
Inventory	112	(1,287)
Prepaid expenses	(497)	(150)
Accounts payable and accrued localities	(288,107)	179,628
Accrued vacation pay and pre-retirement leave	122,806	132,408
	(218,764)	163,720
INVESTING ACTIVITIES		
Purchase of capital assets - equipment and building improvements	(465,796)	(142,663)
FINANCING ACTIVITIES		
Long-term debt principal repayments	(139,828)	(134,785)
Additions (utilization) of externally restricted fund balances - reserves	(24,461)	23,136
Additions (utilization) of internally restricted fund balances - reserves	-	60,000
Deferred capital contributions	662,254	325,748
	497,965	274,099
INCREASE (DECREASE) IN CASH	(186,595)	295,156
CASH AND INVESTMENTS, BEGINNING OF YEAR	1,278,181	983,025
CASH AND INVESTMENTS, END OF YEAR (Note 3)	$ 1,091,586	1,278,181
ADDITIONAL INFORMATION:		
Interest received	$ 52,761	45,651
Interest paid	234,265	241,093

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

1. ACCOUNTING ENTITY

Holy Family Nursing Home (HFNH) was incorporated by a Special Act of the Province of Manitoba on May 6, 1963. HFNH is sponsored and owned and operated by the Ukrainian Catholic Congregation of Sisters Servants of Mary Immaculate (SSMI). HFNH is a not-for-profit organization and is exempt from income tax under the Income Tax Act. The purpose of HFNH is to operate as a personal care home for the elderly and infirm which provides a high level of physical, spiritual and cultural care for the 276 residents of HFNH within the motto of the Sisters "To Serve is to Love".

2. SIGNIFICANT ACCOUNTING POLICIES

a) Winnipeg Regional Health Authority Funding

HFNH is funded by Winnipeg Regional Health Authority (WRHA) under the provisions of the Health Services Insurance Act and Regulations for the total of its approved budgeted expenses, as determined by the WRHA.

HFNH is funded by the WRHA under the global budget concept and any in-globe deficit is not recoverable from Manitoba Health and any in-globe surplus in excess of 2% of the net in-globe approved costs is refundable to Manitoba Health. All deficits and surpluses on out-of-globe expenses are subject to year end review and payment or reimbursement to the WRHA at year end. HFNH records all amounts recoverable or repayable at year end, subject to the WRHA audit, as due from or due to WRHA and as Revenue Fund Unrestricted Fund surplus or deficit.

The WRHA performs a final review of HFNH's audited financial statements to finalize the amounts of any retainable surplus or recoverable deficit, at which time any adjustments determined are booked by HFNH. All adjusted retainable surplus, net of deficits are then transferred from the Revenue Fund Unrestricted Fund to the Plant Fund Unrestricted Fund owned by the SSMI. The WRHA has completed their reviews of HFNH's audited financial statements up to and including March 31, 2004.

b) Purpose of Funds

The Revenue Fund accounts for the funded operations of HFNH. The Plant Fund, which is owned and operated by SSMI, records the capital assets less the related debt and the equity belonging to SSMI.

The Externally Restricted Fund Balances represent unspent balances of amounts funded for future expenditures. Reserves for Major Building Repairs and the Amortization Fund are maintained as separately funded accounts and are utilized upon prior approval by the WRHA.

The Unrestricted Fund Balances represent the accumulated equity of HFNH and SSMI.

c) Capital Assets

Capital assets, owned and accounted for by SSMI in the Plant Fund, are recorded at cost. All minor equipment costing less than $2,000 is charged to expense under directive by the WRHA.

Equipment is amortized over its estimated useful life on a straight-line basis over 5, 10 and 15 years.

Buildings are amortized over their estimated useful life on a straight-line basis over 50 years.

d) Deferred Capital Contributions

Contributions received for the purchase and funding of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital asset.

e) Contributed Services and Donated Materials

Contributed services and donated materials are not recognized in the financial statements.

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Revenue Recognition

HFNH follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Revenue is recognized when products and services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

g) Use of Estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

h) Financial Instruments

Financial instruments include cash, accounts receivable, due from WRHA, investments, accounts payable and accrued liabilities, and long-term debt. The carrying value of these financial instruments approximates fair market value. It is management's opinion that HFNH is not exposed to significant interest, credit or currency risk arising from these financial instruments.

3. CASH AND INVESTMENTS

	Cash	Investments	Total 2007	Total 2006
HFNH Revenue fund	$ 453,772	-	453,772	820,868
SSMI Plant fund unrestricted	434,023	-	434,023	207,155
Major building repairs reserve fund	12,125	200,000	212,125	236,412
Equipment amortization fund	(8,334)	-	(8,334)	13,746
	$ 891,586	200,000	1,091,586	1,278,181

The investments are recorded at cost. The cost at March 31, 2007 is $200,000 with a market value of $200,000 (2006 - $200,000; market value $200,652). The investments are part of a jointly held investment pool (Note 8) with a yield of 3.25% maturing on March 31, 2007.

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

4. VACATION PAY AND PRE-RETIREMENT LEAVE

	Due from WHRA - Accrued Vacation Pay and Pre-Retirement Leave	Accrued Vacation Pay and Pre-Retirement Leave	Unfunded Employee Future Benefits
March 31, 2005			
Vacation pay	$ 719,492	715,493	3,999
Pre-retirement leave	947,030	1,104,789	(157,759)
	$ 1,666,522	1,820,282	(153,760)
March 31, 2006			
Vacation pay	$ 719,492	735,346	(15,854)
Pre-retirement leave	947,030	1,217,344	(270,314)
	$ 1,666,522	1,952,690	(286,168)
March 31, 2007			
Vacation pay	$ 719,492	792,278	(72,786)
Pre-retirement leave	1,012,904	1,283,218	(270,314)
	$ 1,732,396	2,075,496	(343,100)

a) Vacation Pay Receivable/ Payable

HFNH has a receivable from the WRHA for vacation pay of $719,492 (2005 - $719,492) which represents the balance receivable at March 31, 2004. Effective for the fiscal year 2004/2005, Manitoba Health has directed that healthcare facilities may no longer accrue as a receivable, the revenue equivalent to the change in the vacation pay liability.

b) Pre-retirement Leave Receivable

HFNH has a contractual commitment to pay a retirement allowance to employees if they are over age fifty-five and have ten years of service or if their period of service when added to their age exceeds eighty.

HFNH has a receivable from the WRHA for pre-retirement leave of $1,012,904 (2005 - $947,030) which represents the balance receivable at March 31, 2004 plus the change in the liability for 2006/2007. For the 2004/2005 and 2005/2006 fiscal years, Manitoba Health directed that healthcare facilities were not allowed to accrue as a receivable, the revenue equivalent to the change in the retirement entitlement obligation liability. Effective for the 2006/2007 fiscal year, HFNH will receive funding for the change in the current year's liability.

c) Pre-retirement Leave Payable

HFNH has a contractual commitment to pay a retirement allowance to employees if they are over age fifty-five and have ten years of service or if their period of service when added to their age exceeds eighty. HFNH has recorded an accrual based upon an actuarial valuation at March 31, 2007 of $1,283,218 (2006 - $1,217,344) for those employees who qualified for the retirement allowance.

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

4. VACATION PAY AND PRE-RETIREMENT LEAVE (Continued)

d) Unfunded Employee Future Benefits

HFNH has recorded the unfunded future employee benefits (which include Vacation Pay and Pre-retirement Leave) as a separate balance within its unrestricted net assets. HFNH has taken the position that the unfunded future employee benefits are recoverable from the WRHA, and that the change in policy is contrary to the terms of the purchase service agreement.

First, HFNH's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Secondly, in keeping with the terms of the purchase service agreement, future employee benefits should be recognized, both as a liability and as a receivable. The corresponding responsibility for the future funding of the same benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including HFNH). Failure to acknowledge future funding responsibility of negotiated future employee benefits results in incorrect disclosure of HFNH's financial position within the Audited Financial Statements (understated assets). HFNH has taken the position that the Audited Financial Statements should properly reflect a future employee benefits receivable from Manitoba Health/WRHA equal to the future employee benefits payable.

HFNH has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in HFNH's Audited Financial Statements.

5. CAPITAL ASSETS

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 191,548	-	191,548	-
Park Improvements	196,806	-	196,806	-
Redwood Park	69,158	-	69,158	-
Building - Phase I	1,616,588	1,151,533	1,616,588	1,118,397
Building - Phase II	3,957,077	2,295,924	3,957,077	2,218,095
Building - Phase V	1,621,247	599,157	1,621,247	528,668
Building - Link	1,500,962	621,794	1,500,962	578,900
Building - Canopy	70,161	33,615	70,161	30,692
Building Improvements	170,392	5,385	-	-
Equipment	2,330,762	1,593,384	2,035,357	1,482,884
Equipment - Phase I	374,334	374,334	374,334	374,334
Equipment - Link	95,483	95,483	95,483	95,483
Other	42,574	-	42,574	-
	$ 12,237,092	6,770,609	11,771,295	6,427,453
Net book value	$ 5,466,483		5,343,842	

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

6. LONG-TERM DEBT

	2007	2006
TD Canada Trust Line of Credit, prime minus 0.50% (5.50%), due in 2008, repayable in monthly installments of $6,270 plus interest, secured by a letter of comfort issued by Manitoba Health and letters from Manitoba Health and HFNH indicating their intentions to continue to operate and to fund HFNH. Accrued interest $245 (2006 - $548).	$ 56,366	131,606
CMHC Mortgage due in 2021, 6.875%, repayable in monthly installments of $7,707 including principal and interest, secured by mortgage on Phase I land and building. Accrued interest $4,698 (2006 - $4,895).	831,735	866,543
CMHC Mortgage due in 2028, 10.00%, repayable in monthly installments of $20,630 including principal, interest and subsidy of $3,853 monthly, secured by mortgage on Phase II land and building. Accrued interest $18,015 (2006 - $18,258).	2,206,404	2,236,184
	3,094,505	3,234,333
Less: current portion	125,602	139,002
	$ 2,968,903	3,095,331

The principal portion of long-term debt is repayable for the years ended as follows:

Year ending March 31,	2008	$ 125,602
	2009	75,022
	2010	81,290
	2011	87,956
	2012	95,132
	Thereafter	2,629,503
		$ 3,094,505

7. DEFERRED CONTRIBUTIONS

	Expenses of Future Periods	Capital Assets	2007 Total	2006 Total
BALANCE, BEGINNING OF YEAR	$ 20,723	1,208,086	1,228,809	1,312,030
Add: Deferred capital contributions - WRHA	48,300	528,430	576,730	322,565
Pre-approved funding - WRHA	8,334	-	8,334	-
Donation from SSMI/HFNH - Building Expansion Fund	-	50,966	50,966	-
Donation from SSMI/HFNH - Ladies Auxiliary	-	5,355	5,355	3,183
Other	-	20,869	20,869	-
	77,357	1,813,706	1,891,063	1,637,778
Deduct: Amortization of deferred contributions	77,357	335,920	413,277	408,969
BALANCE, END OF YEAR	$ -	1,477,786	1,477,786	1,228,809

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

8. REVENUE AND PLANT FUND INVESTMENT INCOME

	Revenue Fund	Plant Fund	2007	2006
HFNH Revenue fund investment income	$ 19,165	-	19,165	14,806
SSMI Plant fund investment income	-	30,172	30,172	31,167
	$ 19,165	30,172	49,337	45,973

9. RELATED PARTY TRANSACTIONS

Holy Family Nursing Home Revenue Fund (HFNH) and Sisters Servants of Mary Immaculate Plant Fund (SSMI) are related to Sisters Servants of Mary Immaculate Special Purpose Trust Fund; Sisters Servants of Mary Immaculate (operating as Holy Family Nursing Home Building Expansion Fund); Sisters Servants of Mary Immaculate Seniors Tower Fund, Sisters Servants of Mary Immaculate (operating as Holy Family Nursing Home Ancillary Operations) and Holy Family Nursing Home Ladies Auxiliary. All transactions, except as otherwise noted, between the related parties are at cost and consist of donations, expenses paid and transfers of cash to fulfill investment of surplus funds in investment certificates and Treasury Bills held jointly for the purpose of obtaining higher yields by the related parties.

Holy Family Nursing Home Revenue Fund charged Sisters Servants of Mary Immaculate Seniors Tower Fund an administration fee of $30,996 in 2007 (2006 - $30,000). This transaction was recorded at the exchange amount, which is the amount agreed upon by both parties.

Holy Family Nursing Home Ancillary Operations owns and operates a bus for the transportation of Holy Family Nursing Home residents. It charges rent of $8,861 (2006 - $9,072) to Holy Family Nursing Home Revenue Fund to recover the operating expenses of that bus. These transactions are recorded at the exchange amount, which is the amount agreed upon by both parties.

Sisters Servants of Mary Immaculate Special Purpose Trust Fund pays the Holy Family Nursing Home Revenue Fund fees in the amount of $13,560 (2006 - $13,560) for accounting support services. The transactions are at the exchange amount, which is the amount agreed upon by both parties.

The organization has outstanding balances due to the undernoted related parties which are non-interest bearing, unsecured and due on demand:

	2007	2006
HFNH - Ladies Auxiliary	$ -	570

HOLY FAMILY NURSING HOME REVENUE FUND
AND
SISTERS SERVANTS OF MARY IMMACULATE PLANT FUND
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2007

10. WINNIPEG REGIONAL HEALTH AUTHORITY FUNDING

	2007	2006
Total funds received during year	$10,536,420	9,841,113
Add: Year end adjustments receivable	246,092	873,923
	10,782,512	10,715,036
Deduct: Loan funding deferred	139,824	134,784
Major reserves funding deferred	23,136	23,136
Residential charges claw back	57,022	65,535
	219,982	223,455
	$10,562,530	10,491,581

11. COMMITMENTS

HFNH also leases office equipment under operating leases. The future annual lease commitments under these leases are as follows:

March 31, 2008	$	4,106
2009		1,256
2010		1,256
2011		680

AUDITOR'S REPORT

To The President, Board and Members
Hope Centre Health Care Incorporated
Winnipeg, Manitoba

I have audited the balance sheet of the Hope Centre Health Care Incorporated as at March 31, 2007 and the statements of income and accumulated surplus for the year then ended. These financial statements are the responsibility of the Board of Directors. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and the changes in its financial position for the year then ended, in accordance with Canadian generally accepted accounting principles.

David Hildebrand CGA

David Hildebrand CGA CAFM
Certified General Accountant

2 – 715 Lanark Street
Winnipeg, R3N 1M4

June 29, 2007

Hope Centre Health Care Incorporated
Balance Sheet
As at March 31, 2007

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	$ 24,667	$ 50,302
Accounts receivable	30,397	1,100
Total Current Assets	55,064	51,402
Property Plant & Equipment (Note 1 & 2)	38,286	41,447
Total Assets	**$ 93,350**	**$ 92,849**
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	$ 24,298	$ 23,244
Total Current Liabilities	24,298	23,244
OWNERS' EQUITY		
Investment in capital assets	38,286	41,447
Unrestricted	30,766	28,158
	69,052	69,605
Total Liabilities and Surplus	**$ 93,350**	**$ 92,849**

The accompanying notes are an integral part of these financial statements.

BMd

Hope Centre Health Care Incorporated
Schedule of Expenses
For the year ended March 31, 200~~6~~7

	2007	2006
Administration		
Salaries and benefits	$ 112,733	$ 112,445
Membership fees		147
Professional Development		589
Travel	1,120	1,134
Board Expenses	817	406
Program Equipment	6,852	4,129
Printing & Stationery	-	11,352
Postage & Delivery	1,357	1,212
Computer Maintenance		618
Professional fees	11,495	7,247
Bank charges and interest	1,800	1,862
Communications	9,440	8,838
Public relations	9,081	3,330
	$ 154,695	$ 153,309
Primary Health Care		
Salaries, benefits and fees	$ 383,160	$ 354,434
Professional Development	2,736	2,986
Program supplies and equipment	30,571	9,595
Medical fees		215
	$ 416,467	$ 367,230
Occupancy		
Cleaning	$ 9,715	$ 10,000
Insurance	5,042	830
Utilities	11,102	10,873
Maintenance	10,095	12,710
Property taxes	1,229	1,190
Rent	40,800	40,600
Security	1,319	3,412
Amortization	9,416	3,161
	$ 88,718	$ 82,776
Outreach - Community		
Salaries and benefits	$ 184,819	$ 184,271
Travel		1,736
Professional Development		1,123
Program supplies	336	10,679
	$ 185.155	$ 197.809

The accompanying notes are an integral part of these financial statements.

BMd

Hope Centre Health Care Incorporated
Statement of Income and Accumulated Surplus
For the year ended March 31, 2007

	2007	2006
REVENUE		
Manitoba Health - Hospital and Community Service payments	$ 840,842	$ 788,219
Medical Receipts	6,129	4,297
Other	2,253	4,054
	849,224	796,570
EXPENSES		
Administration	154,695	153,309
Primary Health Care	416,467	367,230
Occupancy	88,718	82,776
Outreach - Community	185,155	197,809
	845,036	801,124
Excess of revenue over expenses for the year	4,188	(4,554)
Accumulated surplus (deficiency), beginning of year	69,605	74,159
Prior Period Adjustment - Legal Fees 2004 - 2006	(4,742)	
Accumulated surplus (deficiency), end of year	$ 69,051	$ 69,605

The accompanying notes are an integral part of these financial statements.

Hope Centre Health Care Incorporated
Notes to the Financial Statements
For the year ended March 31, 2007

1. Purpose of the Organization

Hope Centre Health Care Inc. is committed to the provision of a high standard of holistic health care that is motivated by a practical Christian concern for all people. They recognize each person/client as a unique individual created in the image of God and worthy of a competent standard of care, rendered with respect, dignity and compassion.

Hope Centre Health Care Inc. is committed to working with individuals, families and groups within their surrounding community in order to promote physical, emotional and spiritual health.

2. Accounting Policies

The following is a summary of the significant accounting policies used by the organization

i) Property, Plant & Equipment and Amortization

Capital assets are recorded at cost and are amortized over their estimated useful lives based on the following rates and methods:

Building	5%	Straight- line basis
Furniture and fixtures	20%	Straight- line basis
Equipment	30%	Straight- line basis

ii) Manitoba Health funding

Manitoba Health provides funding to the organization based on their assessment of the organization's annual operating budgets and on approved capital expenditures. Periodically, Manitoba Health reviews actual operating results and processes adjustments to amounts previously provided. The organization accounts for these adjustments as a credit or charge to accumulated surplus.

3. Property Plant & Equipment

Capital assets are comprised of the following:

		Accumulated	Net Book Value	
	Cost	Amortization	2007	2006
Land	$ 32,000	$ -	$ 32,000	$ 32,000
Building	63,213	56,927	6,286	9,447
Furniture and fixtures	50,898	50,898	-	-
Equipment	28,500	28,500	-	-
	$ 174,611	$ 136,325	$ 38,286	$ 41,447

4. Non-Pension Pre-retirement Leave Benefit

An actuarial report called the 'Mercer Valuation Report' has been issued. The report indicated that Hope Centre Health Centre Inc. has an unrecorded actuarial valuation liability in the amount of $55,643 (2006 - $43,978).

5. Economic Dependence
   The organization is dependent on support from Manitoba Health to maintain operational funding. These financial statements are prepared on the basis that this support will continue.

booke
& partners
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Members of
Klinic Incorporated

We have audited the statement of financial position of Klinic Incorporated as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and changes in fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners

Winnipeg, Canada
May 8, 2007

Chartered Accountants

Klinic Incorporated
Statement of Operations and Changes in Fund Balances

Year Ended March 31

	Operating Fund	Capital Fund	Wilson House Fund	Donation Fund	**2007** **Total**	2006 Total
Revenues						
Grants and other revenue (Page 12)	$ 6,585,488	$ -	$ -	$ -	**$ 6,585,488**	$ 6,036,596
Donations	-	-	-	-	**-**	803
Interest	-	-	-	141	**141**	141
Amortization of deferred revenues	1,786	118,246	62,728	-	**182,760**	180,261
	6,587,274	118,246	62,728	141	**6,768,389**	6,217,801
Expenses						
Expenditures (Page 12)	6,561,228	-	-	-	**6,561,228**	6,138,263
Amortization	1,786	118,246	67,693	-	**187,725**	187,725
Special projects	-	-	-	10,637	**10,637**	1,488
	6,563,014	118,246	67,693	10,637	**6,759,590**	6,327,476
Excess (deficiency) of revenues over expenses from operations	24,260	-	(4,965)	(10,496)	**8,799**	(109,675)
Pre-retirement leave (Note 8)	168,271	-	-	-	**168,271**	(301,251)
Excess (deficiency) of revenues over expenses	192,531	-	(4,965)	(10,496)	**177,070**	(410,926)
Fund balances, beginning of year	(347,828)	-	305,701	28,787	**(13,340)**	397,586
Interfund transfers (Note 11)	(3,120)	3,120	-	-	**-**	-
Fund balances, end of year	$ (158,417)	$ 3,120	$ 300,736	$ 18,291	**$ 163,730**	$ (13,340)

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Financial Position
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2007 Total	2006 Total
Assets						
Current						
Cash and short-term investments (Note 3)	$ 302,868	$ -	$ 179,142	$ 17,602	$ 499,612	$ 462,411
Cash in trust - external projects (Note 4)	71,819	-	-	-	71,819	139,692
Receivables (Note 5)	665,445	-	-	-	665,445	377,454
Prepaid expenses	10,627	-	-	-	10,627	3,471
	1,050,759	-	179,142	17,602	1,247,503	983,028
Interfund balances	122,685	-	(123,374)	689	-	-
Capital assets (Note 6)	1,786	294,995	1,311,017	-	1,607,798	1,737,009
	$ 1,175,230	$ 294,995	$ 1,366,785	$ 18,291	$ 2,855,301	$ 2,720,037
Liabilities						
Current						
Payables and accruals	$ 714,732	$ -	$ -	$ -	$ 714,732	$ 707,761
Deferred revenue (Note 7)	177,810	291,875	1,066,049	-	1,535,734	1,584,673
Funds in trust - external projects (Note 4)	71,819	-	-	-	71,819	139,692
	964,361	291,875	1,066,049	-	2,322,285	2,432,126
Pre-retirement leave	369,286	-	-	-	369,286	301,251
	1,333,647	291,875	1,066,049	-	2,691,571	2,733,377
Fund balances						
Invested in capital assets	-	3,120	244,968	-	248,088	300,916
Unrestricted - retainable	(158,417)	-	55,768	18,291	(84,358)	(314,256)
	(158,417)	3,120	300,736	18,291	163,730	(13,340)
	$ 1,175,230	$ 294,995	$ 1,366,785	$ 18,291	$ 2,855,301	$ 2,720,037

On behalf of the Board

Director Director

See accompanying notes to the financial statements.

Klinic Incorporated
Statement of Cash Flows
March 31

	Operating Fund	Capital Asset Fund	Wilson House Fund	Donation Fund	2007 Total	2006 Total
Cash flows from operating activities						
Cash received from:						
Winnipeg Regional Health Authority	$ 4,321,140	$ 18,540	$ -	$ -	$ **4,339,680**	$ 4,019,197
Province of Manitoba	1,426,101	-	-	-	**1,426,101**	1,233,575
Government of Canada	195,680	-	-	-	**195,680**	43,437
University of Winnipeg	126,760	-	-	-	**126,760**	40,633
Workshops and honourariums	12,901	-	-	-	**12,901**	5,968
Fundraising	-	-	-	-	-	12,928
Donations	12,536	-	-	-	**12,536**	22,876
External projects	282,508	-	-	-	**282,508**	109,056
Other sources	502,487	-	-	141	**502,628**	508,972
Cash paid for:						
Human resources and benefits	(5,732,735)	-	-	(10,000)	**(5,742,735)**	(4,702,835)
Materials and services	(828,182)	-	-	(643)	**(828,825)**	(1,461,168)
External projects	(350,378)	-	-	-	**(350,378)**	(56,369)
Net cash (deficiency) generated through operating activities	(31,182)	18,540	-	(10,502)	**(23,144)**	(223,730)
Cash flows from financing and investing activities						
Building campaign	-	-	50,986	-	**50,986**	64,518
Purchase of capital assets	-	(58,514)	-	-	**(58,514)**	-
Net cash used in financing and investing activities	-	(58,514)	50,986	-	**(7,528)**	64,518
Net increase (decrease) in cash	(31,182)	(39,974)	50,986	(10,502)	**(30,672)**	(159,212)
Cash beginning of year	462,739	-	111,260	28,104	**602,103**	761,315
Interfund adjustments	(56,870)	39,974	16,896	-	-	-
Cash end of year (Note 12)	$ 374,687	$ -	$ 179,142	$ 17,602	$ **571,431**	$ 602,103

See accompanying notes to the financial statements.

1. Purpose of the organization

Klinic Incorporated (Klinic) is a Community Health Centre offering health and social services in part of the core area of Winnipeg as well as providing specialized crisis, sexual assault, family abuse counselling services, public education and training for the Province of Manitoba.

Klinic Incorporated is an incorporated not-for-profit organization under the Income Tax Act and is a registered charity.

2. Summary of significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The Operating Fund reports all revenues and expense related to program delivery and administrative activities. The Operating Fund reports the assets, liabilities, revenues and expenses related to the organization's activities including computer equipment.

The Capital Fund reports the assets, liabilities, revenues and expenses related to the organization's capital assets, excluding computer equipment, and the building at 870 Portage Avenue.

The Wilson House Fund reports the assets, liabilities, revenues and expenses related to the organization's building at 545 Broadway, known as The Wilson House.

The Donation Fund reports assets, liabilities, receipts and disbursements related to all donations. The Donation Fund is used to support existing programs.

b) Revenue recognition

Klinic Incorporated follows the deferral method of accounting for contributions.

Unrestricted contributions are recognized as revenue of the appropriate Fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Restricted contributions related to the programs within the Operating Fund are recognized as revenue of the Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate fund.

Training fees and fundraising revenue is recognized as revenue in the appropriate fund when the event is held.

2. Summary of significant accounting policies - continued

c) Capital assets

Purchased capital assets are recorded in the appropriate fund at cost. Contributed capital assets are recorded at fair value at the date of contribution.

d) Amortization

Rates and bases of amortization applied to write off the cost less estimated salvage value of capital assets over their estimated lives are as follows:

Operating Fund		
Computer Equipment	3 years	straight-line
Wilson House Fund		
Building	20 years	straight-line
Capital Fund		
Building	20 years	straight-line
Furniture and equipment	5 years	straight line

e) External projects

External projects are sponsored by the organization and directed by third party organizations. Klinic provides administrative services to these projects including receipt of funding, disbursement of expenditures and financial reporting. Funding committed for the current fiscal year but received subsequent to the year-end is recorded as funding receivable for external projects. Funding received but not fully disbursed is included in funding held in trust - external.

f) Accounting estimates

The preparation of the financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

Unless otherwise stated in these financial statements, the fair value of Klinic's financial assets and liabilities approximate their carrying value. It is management's opinion that the Klinic is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash

Klinic has available an operating line of credit with an authorized limit of $25,000 (2006 - $25,000) bearing interest at prime. The line of credit was not in use at March 31, 2007 (2006 - $NIL).

4. Cash held in trust - external projects

Funding held in trust for external projects is as follows:

	2007	2006
Manitoba Association of Family Violence Workers	$ 12,254	$ 10,407
Manitoba Public Health Association	7,937	-
Mothers Support Circle	434	452
Downtown Parent Coalition	42,325	41,488
Fall Suicide Forum	16,085	16,085
Klinic Institute	3,769	3,771
Trauma Forum	(909)	-
Pregnancy Prevention Media Campaign	1,857	1,857
Male Childhood Abuse Workshop	852	853
Wellness committee	(5,131)	(4,186)
Respect Peer Support Group	-	11,600
Manitoba Harm Reduction	(6,506)	(5,000)
Healthy Living	5,419	56,596
West Central Women's Resource Centre	(6,567)	5,769
	$ 71,819	$ 139,692

5. Receivables

	2007	2006
Winnipeg Regional Health Authority	$ 508,456	$ 182,241
Other	156,989	195,213
	$ 665,445	$ 377,454

6. Capital assets

	Cost	Accumulated Amortization	2007 Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 114,389	$ 1,786
Capital Fund			
Building	$ 2,401,770	$ 2,128,436	$ 273,334
Furniture and equipment	278,616	256,955	21,661
	$ 2,680,386	$ 2,385,391	$ 294,995
Wilson House Fund			
Land	$ 160,500	$ -	$ 160,500
Building	1,353,581	203,064	1,150,517
	$ 1,514,081	$ 203,064	$ 1,311,017
	$ 4,310,642	$ 2,702,844	$ 1,607,798

	Cost	Accumulated Amortization	2006 Net Book Value
Operating Fund			
Computer equipment	$ 116,175	$ 112,602	$ 3,573
Capital Fund			
Building	$ 2,364,917	$ 2,010,190	$ 354,727
Furniture and equipment	256,955	256,955	-
	$ 2,621,872	$ 2,267,145	$ 354,727
Wilson House Fund			
Land	$ 160,500	$ -	$ 160,500
Building	1,353,581	135,372	1,218,209
	$ 1,514,081	$ 135,372	$ 1,378,709
	$ 4,252,128	$ 2,515,119	$ 1,737,009

7. Deferred revenue

The deferred revenue reported in the Operating Fund represents restricted funding and unspent resources received in the current year and externally restricted that are related to the subsequent year.

Changes in the deferred revenue balances for the Operating Fund are as follows:

	2007	2006
Beginning balance	**$ 152,155**	$ 210,423
Less: amounts recognized as revenue during the year	**(11,981)**	(65,768)
Add: amounts received related to next year	**37,636**	7,500
	$ 177,810	$ 152,155

Changes in the deferred revenue balances for the Capital Fund are as follows:

Beginning balance	**$ 354,727**	$ 472,973
Less: amounts recognized as revenue during the year	**(118,246)**	(118,246)
Add: amounts received related to next year	**55,394**	-
	$ 291,875	$ 354,727

Changes in the deferred revenue balances for the Wilson House Fund are as follows:

Beginning balance	**$ 1,077,791**	$ 1,073,502
Less: amounts recognized as revenue during the year	**(62,725)**	(60,229)
Add: contributions	**50,983**	64,518
	$ 1,066,049	$ 1,077,791
	$ 1,535,734	$ 1,584,673

Deferred revenue reported in the Capital Fund and Wilson House Fund includes the unamortized portion of funds to acquire and renovate the organization's premises. Deferred revenue is amortized on the statement of operations.

8. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year.

Change in obligation	2007	2006
Opening balance	$ 301,251	$ -
Increase in obligation	68,035	301,251
	$ 369,286	$ 301,251

Pre-retirement leave	2007	2006
Prior year recovery	$ (191,304)	$ -
Current year recovery	(45,002)	-
Increase in obligation	68,035	301,251
	$ 168,271	$ 301,251

9. Pension

Effective June 1, 2003, Klinic adopted a defined benefit pension plan under a participation agreement with Healthcare Employees Pension Plan - Manitoba (the "Plan"). As part of the agreement, Klinic's liability for pension benefits during the term of its participation in the Plan is limited to the contributions made to the Plan as required from time to time. As a result, contributions to the Plan are expensed as incurred and no liability or asset is recognized for any potential Plan funding shortfall or excess.

Prior to June 1, 2003 Klinic had a defined contribution pension plan.

Pension contributions are included in employee benefits expense of the applicable programs.

10. Economic dependence

The volume of financial activity undertaken by Klinic Incorporated with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

11. Interfund transfers

During the year, a total of $3,120 (2006 - $NIL) was transferred from the Operating Fund to the Capital Fund to fund the cash outlays for capital asset acquisitions.

12. Cash balances

	2007	2006
Operating Fund		
Cash and short-term investments	$ 302,868	$ 323,047
Cash in trust - external projects	71,819	139,692
	374,687	462,739
Wilson House Fund	179,142	111,260
Donation Fund	17,602	28,104
	$ 571,431	$ 602,103

BDO

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Auditors' Report

To the Board of Directors of
LHC PERSONAL CARE HOME INC.

We have audited the statement of financial position of **LHC PERSONAL CARE HOME INC.** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 2, 2007

LHC PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Cash	$ 301,806	$ 175,356
Restricted cash - resident trust	22,250	20,427
Restricted cash - reserve for repairs	52,667	75,525
Restricted investment - reserves	50,839	-
Accounts receivable (Note 2)	3,113	4,059
Vacation entitlement receivable (Note 4)	138,650	138,650
Prepaid expenses	10,195	9,807
	579,520	423,824
Pre-retirement entitlement receivable (Note 4)	123,081	116,000
Capital assets (Note 5)	10,687,488	11,095,686
	$ 11,390,089	$ 11,635,510
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued charges	$ 44,693	$ 45,980
Resident trust	22,250	20,427
Accrued vacation pay	210,087	194,095
Due to Manitoba Health	187,911	188,859
Due to Winnipeg Regional Health Authority (Note 3)	316,717	340,420
Advances from a related party (Note 10)	62,360	39,210
	844,018	828,991
Commitments and contingencies (Note 8)		
Accrued pre-retirement entitlement (Note 4)	143,628	136,547
Deferred contributions (Note 7)	9,724,782	10,105,000
Deferred funds	4,892	4,467
Net assets (Page 5)	672,769	560,505
	$ 11,390,089	$ 11,635,510

Approved on behalf of the Board:

Director

Director

LHC PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Winnipeg Regional Health Authority	$ 3,649,860	$ 3,520,407
Residential charges	1,842,957	1,779,762
Other	40,544	33,286
	5,533,361	5,333,455
Expenditures		
Salaries	3,171,715	3,170,329
Employee benefits and Health & Education Levy	549,363	546,983
Purchased meals	513,508	509,955
Purchased services	432,920	435,271
Operational	198,248	165,548
Medical	140,808	129,813
Property taxes	108,780	119,372
Electricity	95,961	90,756
Gas	82,099	92,188
Professional fees	46,994	25,507
Insurance	39,014	33,224
Water and waste	34,606	30,984
	5,414,016	5,349,930
Excess (deficiency) of revenue over expenditures for the year before other items	119,345	(16,475)
Other Items		
Amortization		
Deferred contributions (Note 7)	413,888	413,659
Capital assets	(413,888)	(413,659)
Change in retirement obligation	(7,081)	6,965
	(7,081)	6,965
Excess (deficiency) of revenue over expenditures for the year (Page 5)	$ 112,264	$ (9,510)

LHC PERSONAL CARE HOME INC.
Statement of Changes in Net Assets

For the year ended March 31			2007	2006
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 1,066,211	$ (505,706)	$ 560,505	$ 570,015
Excess (deficiency) of revenue over expenditures for the year (Page 4)	-	112,264	112,264	(9,510)
Purchase of capital assets	5,690	(5,690)	-	-
Transfer	(5,690)	5,690	-	-
Balance, end of year (Page 3)	$ 1,066,211	$ (393,442)	$ 672,769	$ 560,505

LHC PERSONAL CARE HOME INC.
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess (deficiency) of revenue over expenditures for the year	$ **112,264**	$ (9,510)
Adjustments for		
Amortization of capital assets	**413,888**	413,659
Net (increase) decrease in reserve funds	**22,858**	(25,694)
Net increase in resident trust	**(1,823)**	(7,152)
Net decrease in deferred contributions	**(380,218)**	(385,679)
Change in deferred funds	**425**	(1,139)
	167,394	(15,515)
Changes in non-cash working capital		
Resident trust payable	**1,823**	7,152
Prepaid expenses	**(388)**	(1,409)
Accounts receivable	**946**	40,315
Accounts payable and accrued liabilities	**(1,287)**	(36,563)
Pre-retirement entitlement	**(7,081)**	-
Accrued pre-retirement	**7,081**	(6,965)
Accrued vacation pay	**15,992**	(6,221)
	17,086	(3,691)
	184,480	(19,206)
Cash Flows from Financing Activities		
Advances to a related party	**23,150**	16,913
Due to Winnipeg Regional Health Authority	**(23,703)**	23,568
Due to Manitoba Health	**(948)**	-
	(1,501)	40,481
Cash Flows from Investing Activities		
Purchase of capital assets	**(5,690)**	(2,285)
Purchase of investment	**(50,839)**	-
	(56,529)	(2,285)
Net increase in cash	**126,450**	18,990
Cash, beginning of year	**175,356**	156,366
Cash, end of year	$ **301,806**	$ 175,356

LHC PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2007

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles

Revenue Recognition

The LHC Personal Care Home Inc. ("Home") follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Winnipeg Regional Health Authority ("WRHA") in accordance with budget arrangements established by the Province of Manitoba. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect arrangements approved by the WRHA with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts. Any adjustments will be reflected in the year the final statement of recommended costs is received from the WRHA.

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its insured services surplus in any fiscal year and 2% of the global budget allocation indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenditures are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

LHC PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2007

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expenditures. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Buildings	2.5%
Furniture, fixtures and equipment	10%
Land improvements	10%

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Financial Instruments

The Home's financial instruments consist of cash, temporary investment, accounts receivable, accounts payable and accrued liabilities and amounts due to related parties. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted

1. Entity Definition

LHC Personal Care Home Inc. is a not-for-profit organization, incorporated under the laws of the Province of Manitoba. The Home is principally involved in providing licensed personal care services to 116 residents. As the Home is a not-for-profit organization it is exempt from income taxes under the Income Tax Act.

2. Accounts Receivable

	2007	2006
Receivable from residents	$ 481	$ 4,059
Accrued interest	2,225	-
Other	407	-
	$ 3,113	$ 4,059

3. Due from (to) Winnipeg Regional Health Authority

	2007	2006
CUPE template	$ -	$ 144,444
WRHA pre-retirement funding	51,085	20,959
Flu immunization costs	555	369
Non-union support related funding	-	34,303
MNU template	-	290
MGEU/CUPE wage settlement advance	-	(140,163)
Median adjustment	93,785	322
Retainable income - February 29, 2004	4,889	4,981
Accreditation survey fee	4,250	4,250
Residential charges	(466,743)	(404,578)
Capital interest	(8,976)	(8,661)
Other	4,438	3,064
	$ (316,717)	$ (340,420)

As at March 31, 2007, the WRHA is still in the process of reviewing the facilities year end assessment for the 2000/01 fiscal year. The results of the review has not yet been determined.

4. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations was capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and has been recorded as a receivable on the statement of financial position in the amount of $116,000. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. This has resulted in an increase to receivables and revenues in the amount of $7,081 for the 2007 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, the outstanding receivable as at March 31, 2004, which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the statement of operations following the "deficiency of revenue over expenditures before other items" balance adjusted for WRHA funding commitments to the Home. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

5. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 189,282	$ -	$ 189,282	$ -
Buildings	12,324,767	2,154,415	12,324,767	1,846,223
Furniture, fixtures and equipment	1,053,062	731,199	1,047,372	626,461
Land improvements	9,583	3,592	9,583	2,634
	$ 13,576,694	$ 2,889,206	$ 13,571,004	$ 2,475,318
Cost less accumulated amortization		$ 10,687,488		$ 11,095,686

Amortization of capital assets for the year ended March 31, 2007 is $413,888 (2006 - $413,659).

6. Line of Credit

The Home has a revolving line of credit with a maximum limit of $200,000. The loan is secured by a general security agreement on all of the Home's assets. Interest on advances is paid monthly at bank prime plus 1%, with repayment due on demand.

7. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2007	2006
Balance, beginning of year, restated	**$ 10,029,474**	$ 10,440,848
Additional contributions received		
Winnipeg Regional Health Authority	**5,690**	2,285
Less amounts amortized to revenue	**(413,888)**	(413,659)
Balance, end of year	**9,621,276**	10,029,474

Unspent Major Repairs Funding

Unspent major repairs funding represents the unspent amount of funding received for building and building service repairs. Major repairs funding is not recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	**20,688**	13,008
Contributions - Winnipeg Regional Health Authority	**7,680**	7,680
Balance, end of year	**$ 28,368**	$ 20,688

9. Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan (the "Plan")) which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, combined with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the Plan is in a deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $159,705 (2006 - $155,099) and are included in the statement of operations.

10. Related Party Transactions

Lions Club of Winnipeg Senior Citizens Home ("Lions Manor") is the sponsor of the project. The capital assets, long-term debt and deferred contributions related to capital assets were transferred from the sponsor at cost. The sponsor has an integral role in LHC Personal Care Home Inc. operations by providing purchased services for administration, maintenance, dietary and other services.

The following table summarizes the organization's related party transactions.

	2007	2006
Expenditures		
Dietary fees to Lions Manor	$ 513,508	$ 509,955
Administration fees	165,197	165,562
Finance services	167,577	175,926
Computer services	44,215	39,500
Maintenance services	55,930	54,282
	$ 946,427	$ 945,225

The transactions are in the normal course of operations and are recorded at the exchange amount.

At the end of the year, the amount due to a related party is as follows:

	2007	2006
Lions Manor	$ 62,360	$ 39,210

The balance is non-interest bearing, has no terms of repayment and is unsecured.

CHARLES H. WEPPLER
CHARTERED ACCOUNTANT

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AUDITOR'S REPORT

To: The Board of Directors
Luther Home Corporation

I have examined the balance sheet of Luther Home Corporation (1081 Andrews Street) as at March 31, 2007 and the statements of revenues and expenditures, surplus and changes in cash flows for the year then ended. These financial statements are the responsibility of the organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many non-profit organizations, Luther Home Corporation (1081 Andrews Street) derives certain revenues, namely activity of $5,436, food of $113,378, parking of $6,576, chaplaincy $2,873, Tuck shop $6,812, supplies and auxiliary of $27,953, van operations of $778 and daycare participants of $16,325 which are not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the organization and I was not able to determine whether any adjustments might be necessary to the aforementioned revenues, assets and surplus.

In my opinion, except for the effect of adjustments, if any, which might have been required had I been able to satisfy myself with respect to the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and the changes in its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Charles Weppler

CHARTERED ACCOUNTANT

Winnipeg, Manitoba
June 4, 2007

LUTHER HOME CORPORATION
(1081 Andrews Street)

BALANCE SHEET

MARCH 31, 2007

ASSETS

	2007	2006
Current		
Cash and short-term deposits (note 2)		
Restricted	$ 86,373	$ 73,412
Unrestricted	681,406	915,872
	767,779	989,284
Work-in-progress	-	169,768
Accounts receivable	20,209	63,337
Prepaid expenses	40,952	32,339
	828,940	1,254,728
Due from Winnipeg Regional Health Authority (note 3)	250,436	274,656
Property and equipment (note 4)	2,803,146	2,168,105
	$ 3,882,522	$ 3,697,489

LIABILITIES

	2007	2006
Current		
Accounts payable and accrued charges	$ 567,976	$ 572,897
Vacation accrual	166,827	163,000
Deferred revenue	4,337	2,264
Trust fund	15,139	5,330
Due to Winnipeg Regional Health Authority	37,181	143,631
Current portion of long-term debt (note 5)	18,366	17,000
Term loans due within one year (note 6)	149,560	149,726
	959,386	1,053,848
Term loans due after one year (note 6)	682,774	532,595
	1,642,160	1,586,443
Long-term debt (note 5)	344,300	362,831
Due to Luther Home divisions (note 7)	19,560	296,936
	363,860	659,767
Deferred contributions		
Property and equipment (note 8)	925,648	663,286
Replacement reserve (note 9)	80,494	68,447
	1,006,142	731,733
	3,012,162	2,977,943

SURPLUS

	2007	2006
Invested in property and equipment	682,498	644,035
Unrestricted	187,862	75,511
Surplus	870,360	719,546
	$ 3,882,522	$ 3,697,489

APPROVED BY THE BOARD:

__________ Director __________ Director

LUTHER HOME CORPORATION
(1081 Andrews Street)

STATEMENT OF SURPLUS

FOR THE YEAR ENDED MARCH 31, 2007

	Invested in property and and equipment Assets	Unrestricted	2007	2006
Beginning of year	$ 644,035	$ 75,511	$ 719,546	$ 719,053
Excess of revenues over expenditures	(95,965)	246,779	150,814	493
Additions	298,876	(298,876)	-	-
Term debt advances	(316,000)	316,000		
Term debt repayment	151,552	(151,552)	-	-
End of year	$ 682,498	$ 187,862	$ 870,360	$ 719,546

LUTHER HOME CORPORATION
(1081 Andrews Street)

STATEMENT OF REVENUES AND EXPENDITURES

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Revenues		
Winnipeg Regional Health Authority	$ 3,196,126	$ 3,119,571
Amortization of WRHA deferred contributions	29,952	54,468
Residential charges	1,083,441	1,056,365
Other (schedule 1)	210,120	242,810
	4,519,639	4,473,214
Expenditures		
Wages and benefits	2,963,297	2,852,535
Food	614,625	613,254
Housekeeping	205,509	215,179
Amortization	152,937	162,801
Maintenance and repairs	141,493	107,166
Administration (schedule 2)	60,007	67,358
Interest on term debt	71,890	65,943
Medical supplies	54,435	74,569
Natural gas	52,866	70,424
Property taxes	42,018	52,174
Hydro	26,644	26,327
Water	21,835	18,414
Laundry and linen	13,778	19,293
Professional fees	13,480	12,406
Insurance	5,302	4,532
Activity	4,010	13,096
Van operations - net	3,418	1,626
Staff training	1,743	1,180
Volunteer expenses	680	736
	4,449,967	4,379,013
Excess of Winnipeg Regional Health Authority revenues over expenditures	69,672	94,201
Day care program (schedule 3)	1,291	21,670
Interest income - operating accounts	17,099	13,254
Excess before benefit bank value change	88,062	129,125
Benefit bank value change		
- vacation	(3,827)	(14,300)
- pre-retirement	66,579	(114,332)
	62,752	(128,632)
Excess of revenues over expenditures	$ 150,814	$ 493

LUTHER HOME CORPORATION
(1081 Andrews Street)

STATEMENT OF CHANGES IN CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Cash flows provided from (used for):		
Operating Activities		
Cash receipts from residents and customers	$ 1,529,798	$ 1,358,836
Cash received from the Winnipeg Regional Health Authority	3,203,728	3,315,168
Cash paid to employees and vendors	(4,452,084)	(4,251,624)
Interest received	21,557	17,975
Interest paid	(71,987)	(66,033)
	231,012	374,322
Investing Activities		
Work-in-progress	-	(131,275)
Purchase of property and equipment	(609,875)	(58,674)
	(609,875)	(189,949)
Financing Activities		
Term loan advance	284,400	-
Advances from Luther Home divisions - net	24,510	16,631
Repayment of term loans	(134,387)	(117,961)
Repayment of long-term debt	(17,165)	(16,043)
	157,358	(117,373)
Increase (decrease) in cash flows	(221,505)	67,000
Cash and short term deposits, beginning of year	989,284	922,284
Cash and short term deposits, end of year	$ 767,779	$ 989,284

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

1. ACCOUNTING POLICIES

a) Entity

1081 Andrews Street is a division of the Luther Home Corporation, which was incorporated on May 25, 1968 as a non-profit organization without share capital. The mission of the corporation is to minister to the physical, mental, spiritual and social needs of persons requiring care within their facility and surrounding community.

These financial statements present the financial position and results of operation of 1081 Andrews Street only. They do not include other assets, liabilities, revenues and expenditures of the Corporation.

b) Financial instruments

Due to the short-term nature of all financial instruments other than long-term debt, term loans and the long-term WRHA pre-retirement asset, the carrying values as presented in the financial statements are reasonable estimates of fair value. Management has estimated fair value by reference to established financial markets. For long-term debt, term loans and the long-term WRHA pre-retirement asset it is not practicable within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

c) Estimates

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events or to approximate the present status of an asset or liability. Examples include the allowance for doubtful accounts, loss provisions and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

d) Credit risk

The company does not have a significant exposure to any individual tenant.

e) Income taxes

The corporation is a registered non-profit organization, and as such, is exempt from income taxes under Section 149 of the Income Tax Act.

f) Work-in-progress

Work-in-progress represents costs incurred for initial stages of laundry relocation project.

Continued

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

1. ACCOUNTING POLICIES, continued

g) Property and equipment and accumulated amortization

Property and equipment are recorded at cost less accumulated amortization. Amortization has been provided at the following annual rates.

Building	- straight line over 20 and 50 years
Automotive	- straight line over 8 years
Computer and system software	- straight line over 4 years
Furniture, equipment, improvements and dietary	- straight line over 10 and 20 years
Software	- straight line over 2 years

h) Donations in-kind

Substantial donations in the form of property, plant, and equipment, materials and services which would normally have been purchased by the organization and paid for if not donated are recorded at fair value.

i) Short term deposits

Short term deposits are individually valued at the lower of cost and market.

j) Revenue recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

k) Pre-retirement entitlement obligation

The Corporation has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55; or
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) retire at or after the age of 65; or
iv) terminate employment at any time due to permanent disability.

The Corporation has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the Winnipeg Regional Health Authority up to a pre-determined percentage. Payments beyond the pre-determined percentage are reflected as an expense in the statement of operations.

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

2. CASH AND SHORT TERM DEPOSITS

Cash and short term deposits consist of the following:

	2007	2006
Short term deposits (market value $714,854)	$ 713,631	$ 699,198
Operating	48,753	282,402
Funds held in trust	5,395	7,684
	$ 767,779	$ 989,284

Restricted funds are as follows:

	2007	2006
Replacement reserve (note 9)	$ 80,494	$ 68,447
Trust fund	5,879	4,965
	$ 86,373	$ 73,412

3. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY (WRHA)

Due from WRHA consists of the following:

	2007	2006
Long-term		
Vacation	$ 133,100	$ 133,100
Pre-retirement asset	117,336	141,556
	$ 250,436	$ 274,656

The amount of funding which will be provided by the WRHA for pre-retirement and vacation entitlement obligations was originally capped at the amount owing as at March 31, 2004 and has been recorded as a receivable on the balance sheet. The WRHA has indicated that it will repay this receivable over a 25 year period.

For the period April 1, 2004 to March 31, 2006, the WRHA partially funded the income in the pre-retirement obligation. For the period April 1, 2006 to March 31, 2007, the WRHA fully funded changes in the pre-retirement obligation.

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

4. PROPERTY AND EQUIPMENT

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 51,952	$ -	$ 51,952	$ -
Laundry addition/ renovation	327,954	8,198	-	-
Building	2,021,759	753,179	1,652,863	711,951
Furniture, equipment, improvements and dietary	2,421,560	1,302,121	2,358,345	1,212,222
Automotive	74,399	44,772	46,686	43,386
Computer and system software	139,238	125,446	139,038	113,220
Software	40,047	40,047	40,047	40,047
	$ 5,076,909	$ 2,273,763	$ 4,288,931	$ 2,120,826
Net Book Value	$ 2,803,146		$ 2,168,105	

5. LONG-TERM DEBT

	2007	2006
Canada Mortgage and Housing Corporation, mortgage loan, interest at 6.875% per annum, due January 1, 2020, monthly principal and interest payment of $3,532, secured by the land and building at 1081 Andrews Street	$ 362,666	$ 379,831
Less: current portion	(18,366)	(17,000)
	$ 344,300	$ 362,831

Approximate future principal repayments are as follows:

2008	$ 18,366
2009	19,650
2010	21,025
2011	22,495
2012	24,068
2013 and thereafter	257,062
	$ 362,666

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

6. TERM DEMAND LOANS

	2007	2006
Bank of Montreal, term demand loan, interest at prime plus 0.75%, monthly principal payment of $2,633 secured by an assignment of proceeds of contract with the WRHA for the laundry project, due February 1, 2016	$ 310,733	$ 31,600
Bank of Montreal, term demand loan, interest at prime plus 0.75%, monthly principal payment of $5,580 secured by an assignment of proceeds of contract with the WRHA for the improvements, due September 1, 2013	419,369	497,488
Bank of Montreal, term demand loan, interest at prime plus 0.75%, monthly principal payment of $4,250 secured by an assignment of proceeds of contract with the WRHA for the dining room project, due March 1, 2009	102,232	153,233
	832,334	682,321
Less amount due within one year	(149,560)	(149,726)
	$ 682,774	$ 532,595

Approximate future principal repayments are as follows:

2008	$ 149,560
2009	149,560
2010	98,792
2011	98,560
2012	98,560
2013 and thereafter	237,302
	$ 832,334

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

7. DUE TO LUTHER HOME DIVISIONS

Amounts due to (from) Luther Home divisions are unsecured. The divisions have indicated that repayment will not be requested within the next fiscal year.

	2007	2006
a) Non-interest bearing		
Luther Home Corporation		
1084 Powers Street	$ (279,807)	$ (261,377)
364 Leila Avenue	(45,169)	(19,021)
1080 Powers Street	83,222	(35,069)
	(241,754)	(315,467)
b) Interest earned by 1081 Andrews St. cash and short-term deposit balances is allocated to related parties based on their monthly balances		
Luther Home Corporation		
Management	244,423	364,548
Memorial	16,891	247,855
	$ 19,560	$ 296,936

8. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY AND EQUIPMENT

Deferred contributions related to property and equipment represent contributed and funded property and equipment. The changes in the deferred contributions balance are as follows:

	WRHA funded	Donated	Replacement Reserve	2007 Total	2006 Total
Beginning, of year	$ 115,763	$ 390,640	$ 156,883	$ 663,286	$ 571,578
Property and equipment donated/funded	8,335	301,886	9,113	319,334	168,483
Amounts amortized to revenue	(3,923)	(27,020)	(26,029)	(56,972)	(76,775)
End of year	$ 120,175	$ 665,506	$ 139,967	$ 925,648	$ 663,286

LUTHER HOME CORPORATION
(1081 Andrews Street)

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

9. REPLACEMENT RESERVE

Under the terms of the agreement with Winnipeg Regional Health Authority (WRHA), the replacement reserve account is to be credited in the amount of $18,767 (2006 - $18,767) annually. These funds must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by WRHA from time to time. The funds in the account may only be used as approved by WRHA.

The changes in the replacement reserve are as follows:

	Equipment Replacement	Major Repairs	2007 Total	2006 Total
Beginning of year	$ 15,513	$ 52,934	$ 68,447	$ 65,452
Provisions				
WRHA	14,000	178,267	192,267	18,776
Interest	1,020	3,093	4,113	2,419
Disbursements	(9,113)	(175,220)	(184,333)	(18,200)
End of year	$ 21,420	$ 59,074	$ 80,494	$ 68,447

10. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year presentation.

HALL MOLGAT *PUBLIC ACCOUNTANTS*

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AUDITOR'S REPORT

TO THE DIRECTORS,
M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.,
Winnipeg, Manitoba.

We have audited the statement of financial position of the M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2007 and the statements of operations, of changes in fund balances and of cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as noted in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to other revenues, excess of revenues over expenditures, assets and net assets.

In our opinion, except for the adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. as at MARCH 31, 2007 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Hall Molgat

HALL MOLGAT
PUBLIC ACCOUNTANTS

May 9, 2007
Winnipeg, Manitoba.

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SUPPLEMENTARY AUDIT REPORT

This supplementary audit report is given to satisfy the obligations of M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. to the Winnipeg Regional Health Authority. We report as follows:

a) In our opinion the accounting procedures and systems of control used during 2006/2007 by the M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. were adequate, having regard to the size of the Centre, to preserve and protect its assets;

b) The funds of the Centre, primarily derived from the Winnipeg Regional Health Authority, have, to the best of our knowledge and belief, been applied for the purposes of the Centre following processes and procedures authorized by its Board.

c) Our audit revealed no material irregularity or discrepancy in the administration of the Centre nor any matters that do not now have the attention of the Board.

Hall Molgat.

HALL MOLGAT
PUBLIC ACCOUNTANTS

May 9, 2007
Winnipeg, Manitoba.

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF FINANCIAL POSITION

MARCH 31, 2007

	Operating Fund	Special Projects Fund	Capital Asset Fund	Investment In Union Centre Fund	Total 2007	Total 2006
	$	$	$	$	$	$
CURRENT ASSETS:						
Cash (note 3)	122,160	-	-	-	122,160	124,019
Short term investments (note 4)	131,345	175,000	-	-	306,345	295,151
Accounts receivable (note 5)	99,695	-	-	-	99,695	95,258
Prepaid expenses (note 6)	1,943	-	-	-	1,943	3,001
Total Current Assets	355,143	175,000	-	-	530,143	517,429
CAPITAL ASSETS: (note 7)	-	-	4,845	-	4,845	7,049
INVESTMENTS: (note 8)	-	-	-	204,669	204,669	204,669
TOTAL ASSETS	355,143	175,000	4,845	204,669	739,657	729,147
CURRENT LIABILITIES:						
Accounts payable & accrued liabilities (note 9)	110,800	-	-	-	110,800	119,532
Repayable to WRHA (note 10)	69,981	-	-	-	69,981	34,499
Deferred revenue (note 11)	48,295	-	-	-	48,295	88,094
Total Current Liabilities	229,076	-	-	-	229,076	242,125
DEFERRED CONTRIBUTIONS:						
Capital assets (note 12)	-	-	4,844	-	4,844	7,049
Total Deferred Contrib.	-	-	4,844	-	4,844	7,049
CONTINGENT LIABILITIES: (note 13)						
FUND BALANCES:						
Invested in Union Ctr.	-	-	-	204,669	204,669	204,669
Internally restricted	-	175,000	-	-	175,000	175,000
Unrestricted	126,068	-	-	-	126,068	100,304
Total Fund Balances	126,068	175,000	-	204,669	505,737	479,973
TOTAL LIABILITIES & FUND BALANCES	355,144	175,000	4,844	204,669	739,657	729,147

APPROVED BY BOARD:

______________________ : Director ______________________ : Director

______________________ : Director

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS

AS AT MARCH 31, 2007

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	Total 2007 $	Total 2006 $
REVENUES:						
WRHA: Medical Clinic	741,952	-	-	-	741,952	722,757
WRHA: recoveries	(35,482)	-	-	-	(35,482)	(15,21
Interest & other	12,634	-	-	-	12,634	14,340
MB Labour & Immigration	19,218	-	-	-	19,218	-
Fundraising	11,455	-	-	-	11,455	11,822
WCB Health Projects	62,538	-	-	-	62,538	130,51
Deferred contribution for capital assets	-	-	2,204	-	2,204	2,2
Repayment of funding	-	-	-	-	-	(3,555)
United Way Projects	19,550	-	-	-	19,550	19,5
Deferred revenue in	53,770	-	-	-	53,770	90,968
Deferred revenue out	(4,000)	-	-	-	(4,000)	(88,0
Total Revenues	881,635	-	2,204	-	883,839	885,3
EXPENDITURES - OPERATING:						
Amortization on equip	-	-	2,204	-	2,204	2,2
Audit & accounting	4,983	-	-	-	4,983	5,7
Accreditation	1,267	-	-	-	1,267	-
Computer software & services	5,557	-	-	-	5,557	2,7
Delivery	265	-	-	-	265	[illegible]
Employee benefits	69,521	-	-	-	69,521	62,992
Equipment rental & minor purchases	12,874	-	-	-	12,874	21,
Fundraising	648	-	-	-	648	[illegible]
Insurance	1,088	-	-	-	1,088	1,373
Interpreters/child care	-	-	-	-	-	-
Legal	20	-	-	-	20	281
License fees	900	-	-	-	900	-
Meeting Expense	789	-	-	-	789	1,644
Miscellaneous	4,537	-	-	-	4,537	-
Newsletter	9,717	-	-	-	9,717	15,048
Printing/Stationery & Office Supplies	15,479	-	-	-	15,479	7,8
Postage	(1,939)	-	-	-	(1,939)	2,
Pre-retirement	-	-	-	-	-	35,
Publications	6,374	-	-	-	6,374	7,
Public relations	29,161	-	-	-	29,161	12,
Purchased services	29,036	-	-	-	29,036	18,315
Repairs & main	1,952	-	-	-	1,952	-

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF OPERATIONS CONT'D.

AS AT MARCH 31, 2007

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2007** **$**	Total 2006 $
Rent	70,509	-	-	-	**70,509**	70,503
Staff education & recruitment	3,491	-	-	-	**3,491**	2,343
Staff parking	3,509	-	-	-	**3,509**	2,464
Staff travel & exp.	8,818	-	-	-	**8,818**	6,199
Stipend	-	-	-	-	**-**	-
Stretch/Massage/Breathe	5,240	-	-	-	**5,240**	7,835
Telephone	9,213	-	-	-	**9,213**	10,391
20th Anniversary	-	-	-	-	**-**	-
Wages & salaries	562,862	-	-	-	**562,862**	560,771
Total Operating Expend.	855,871	-	2,204	-	**858,075**	859,954
EXCESS OF REVENUE OVER EXPENDITURES	25,764	-	-	-	**25,764**	25,353

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CHANGES IN FUND BALANCES

AS AT MARCH 31, 2007

	Operating Fund $	Special Projects Fund $	Capital Asset Fund $	Investment In Union Centre Fund $	**Total 2007** **$**	Total 2006 $
Fund balance, beginning of year	100,304	175,000	-	204,669	**479,973**	454,62
Surplus (deficiency) for the year	25,764	-	-	-	**25,764**	25,353
Purchase of capital assets	-	-	-	-	-	-
Interfund transfers	-	-	-	-	-	-
Closing fund balance	126,068	175,000	-	204,669	**505,737**	479,9

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING MARCH 31, 2007

	2007 $	2006 $
CASH PROVIDED BY OPERATIONS:		
Surplus for the year	25,764	25,353
Add: amortization	2,204	2,204
	27,968	27,557
Change in working capital:		
Accounts receivable	(4,437)	12,169
Short term investments	(11,193)	(7,793)
Prepaid expenses	1,058	(499)
Accounts payable & accrued liabilities	(8,732)	43,494
Repayable to WRHA	35,482	(53,191)
Deferred revenue	(39,799)	(2,874)
	(27,621)	(8,694)
Cash from (used for) operations	347	18,863
CASH PROVIDED BY INVESTMENT & FINANCING ACTIVITIES:		
Invested in short term instruments	-	-
Deferred contributions	(2,206)	(2,205)
Cash from (used for) investing & financing	(2,206)	(2,205)
Increase (decrease) in cash for the year	(1,859)	16,658
Cash, beginning of year	124,019	107,361
Cash, end of year (note 3)	122,160	124,019

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

1. FORM OF ORGANIZATION

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC. was incorporated as a non-share, non-profit organization under the Cooperatives Act of Manitoba and is non-taxable pursuant to paragraph 149(1)1 of the Income Tax Act. The purpose of the organization is to assist individuals and groups in Manitoba to improve workplace health and safety.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit organizations, which encompass the following principles:

i) Capital Assets

Capital asset acquisitions are accounted for on the following basis:

Purchases of computers, equipment and furniture are capitalized in the year of their purchase and are amortized over their useful life on a straight line basis over the following estimated number of years:

Computers	3 years
Office furniture	10 years
Equipment	10 years

Revenues received which are designated for capital purchases are deferred in the year of receipt and recognized annually at the same rate as the amortization on the related assets.

ii) Investments

Investments are recorded at lower of cost and market value.

iii) Recognition of Revenues

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Revenue from Winnipeg Regional Health Authority is recognized when received or receivable; any subsequent settlement is shown as an adjustment to income in the year of adjustment.

iv) Fund Accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Capital Asset Fund reports the assets, liabiities, revenues, and expense related to the Centre's capital assets.

The Special Projects fund reports on revenues and expenses related to the allocation to and from the Operating Fund by the vote of the Board of Directors of internally restricted funds to be used on extraordinary projects of the Centre.

The Union Centre Building Investment fund reports on the assets, liabilities, revenues and expenses related to the Centre's investment in the Manitoba Federation of Labour Building at 275 Broadway in Winnipeg, Manitoba.

v) Financial Instruments

It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from its financial instruments.

vi) Use of Estimates

Accounting estimates are included in financial statements to approximate the effect of past business transactions or events, or to approximate the present status of an asset or liability. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates. Should an adjustment become necessary, it would be reported in earnings in the period in which it became known.

3. CASH

	2007 **$**	2006 $
Operating	**122,073**	123,935
Shares	**87**	84
	122,160	124,019

4. SHORT TERM INVESTMENTS

Daily interest account	**257,890**	246,696
Term deposits	**47,386**	47,386
Surplus shares	**1,069**	1,069
	306,345	295,151

5. ACCOUNTS RECEIVABLE

	2007 $	2006 $
Trade receivables	96,849	93,496
Receiver General (GST)	2,846	1,762
	99,695	95,258

6. PREPAID EXPENSES

	2007	2006
Xerox contract	-	861
ImagiNet	-	404
Insurance	1,943	-
Momentum Software	-	1,736
	1,943	3,001

7. CAPITAL ASSETS

	Cost $	Accumulated Amortization $	Net Book Value 2007 $	Net Book Value 2006 $
Audio visual equipment	11,738	(11,169)	569	1,138
Computers	46,750	(46,750)	-	-
Leasehold improvements	89,226	(89,226)	-	-
Medical equipment	29,053	(27,563)	1,490	2,198
Office equipment	28,694	(28,694)	-	-
Office furniture	34,112	(33,251)	861	1,403
Security system	574	(574)	-	-
Phone system	7,700	(5,775)	1,925	2,310
Total	247,847	(243,002)	4,845	7,049

8. INVESTMENT IN UNION CENTRE INC.

	2007	2006
Union Centre Inc.	204,669	204,669

Principal of $150,000 plus interest accrued at 11% per annum to December 31, 1993. Interest-free thereafter. There are no fixed repayment terms.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Trade payables	6,852	9,381
Accrued liabilities	84,709	90,874
Trust liabilities	19,239	19,277
	110,800	119,532

10. REPAYABLE TO WRHA

	2007 $	2006 $
Revenue in excess of agreement:		
2004/2005	**16,731**	16,731
2005/2006	**17,768**	17,768
2006/2007	**35,482**	-
	69,981	34,499

11. DEFERRED REVENUE

	2007	2006
Province of Manitoba: Labour & Immigration	**9,971**	-
WCB: Small Business Ergonomist (new)	**3,290**	32,098
WCB: Educator	**2,829**	3,129
WCB: Aboriginal Workers Outreach	**28,205**	49,667
WRHA: Insurance reserve	**4,000**	3,200
	48,295	88,094

12. DEFERRED CONTRIBUTIONS FOR CAPITAL ASSETS

	WRHA $	Bldg. Other $	WCB Programs $	2007 $	2006 $
Capital assets	29,663	194,235	23,949	**247,847**	247,847
Accumulated amortization	(26,039)	(194,235)	(22,729)	**(243,003)**	(240,798)
Deferred contributions for capital assets	3,624	-	1,220	**4,844**	7,049

13. CONTINGENT LIABILITY

Subsequent to the annual audit, Winnipeg Regional Health Authority, the Centre's primary funder, performs its own financial reviews to determine additional amounts owed to the Centre or recoveries due back. As these amounts are not known at the time of the audit, Winnipeg Regional Health Authority revenues to the Centre are listed on these statements on a confirmed payment basis from Winnipeg Regional Health Authority with prior year adjustments listed in the year of notification.

14. PUBLIC SECTOR DISCLOSURE ACT

In accordance with the Public Sector Disclosure Act the following compensation in excess of $50,000 during the year was paid to M.F.L. employees:

	Wages	Benefits	Travel/ Other	Total
	$	$	$	$
Executive Director	62,684	2,621	126	65,431
Occupational Health Specialist	53,793	2,621	1,143	57,557
Occupational Health Nurse	125,973	5,423	970	132,366
Finance/Office Admin	61,095	2,640	-	63,735

15. ECONOMIC DEPENDENCE

The Centre derives the majority of its revenues pursuant to an agreement with the Winnipeg Regional Health Authority.

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR MARCH 31, 2007

OPERATING FUND

	WRHA	Donations & Other Programs	WCB	United Way of Winnipeg	**Total Operating Fund 2007**	Total Operating Fund 2006
	$	$	$	$	$	$
REVENUES:						
WRHA: Medical Clinic	741,952	-	-	-	**741,952**	706,086
: recoveries	(35,482)	-	-	-	**(35,482)**	(16,730)
Interest & other	-	12,634	-	-	**12,634**	11,679
MB Labour & Immigration	-	19,218	-	-	**19,218**	-
Fundraising	-	11,455	-	-	**11,455**	13,355
WCB Projects	-	-	62,538	-	**62,538**	135,536
United Way Projects	-	-	-	19,550	**19,550**	-
Deferred contributions for capital assets	986	-	1,218	-	**2,204**	2,204
Repayment of funding	-	-	-	-	-	-
Deferred revenue in	3,200	-	50,570	-	**53,770**	27,631
Deferred revenue out	(4,000)	-	-	-	**(4,000)**	(90,968)
Total Revenues	706,656	43,307	114,326	19,550	**883,839**	788,793
EXPENDITURES - OPERATING:						
Amortization	986	-	1,218	-	**2,204**	2,204
Accreditation fees	1,267	-	-	-	**1,267**	-
Auditing/accounting	4,983	-	-	-	**4,983**	5,733
Computer software & service	5,557	-	-	-	**5,557**	2,753
Delivery	265	-	-	-	**265**	77
Employee benefits	69,521	-	-	-	**69,521**	62,992
Equipment rental & minor purchases	12,874	-	-	-	**12,874**	21,659
Fundraising	-	648	-	-	**648**	698
Intervention grant	-	-	-	-	-	-
Insurance	1,088	-	-	-	**1,088**	1,373
Legal	20	-	-	-	**20**	281
License fees	900	-	-	-	**900**	-
Meeting Expense	789	-	-	-	**789**	-
Miscellaneous	4,537	-	-	-	**4,537**	1,644
Newsletter	-	9,717	-	-	**9,717**	15,048
Office supplies/ Printing/Stationery	9,722	-	5,745	12	**15,479**	7,847
Postage	(1,939)	-	-	-	**(1,939)**	2,997
Pre-retirement	-	-	-	-	-	35,877

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS CONT'D.

FOR THE YEAR MARCH 31, 2007

OPERATING FUND

	WRHA	Donations & Other Programs	WCB	United Way of Winnipeg	**Total Operating Fund 2007**	Total Operating Fund 2006
	$	$	$	$	**$**	$
Publications	6,374	-	-	-	**6,374**	7,64
Public relations	5,203	-	23,958	-	**29,161**	12,30
MB Labour & Immig Purchased services	4,007	19,218	1,040	4,771	**29,036**	18,31
Rent	70,509	-	-	-	**70,509**	70,5
Repairs/maintenance	1,952	-	-	-	**1,952**	-
Staff education & recruitment	2,888	-	603	-	**3,491**	2,343
Staff parking	3,509	-	-	-	**3,509**	2,4
Staff travel & expenses	1,078	-	7,740	-	**8,818**	6,1
Stretch, Massage, Breathe	5,240	-	-	-	**5,240**	7,835
Telephone	7,925	-	1,288	-	**9,213**	10,391
Wages & salaries	467,396	-	94,463	1,003	**562,862**	560,7
Total Operating Expenditures	686,651	29,583	136,055	5,786	**858,075**	859,954
Excess (Deficiency) of Revenues over Expenditures	20,005	13,724	(21,729)	13,764	**25,764**	(71,1

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2007

WRHA FUNDED OPERATING PROGRAMS

	Budget 2007 $	**Actual 2007 $**	Actual 2006 $
REVENUES:			
WRHA: Medical Clinic	738,307	**741,952**	722,757
: recoveries	-	**(35,482)**	(15,211)
Deferred contributions for capital assets	-	**986**	986
Deferred revenue in	-	**3,200**	2,400
Deferred revenue out	(800)	**(4,000)**	(3,200)
Total Revenues	737,507	**706,656**	707,732
EXPENDITURES - OPERATING:			
Accreditation Fees	-	**1,267**	-
Amortization on equipment	-	**986**	986
Audit & accounting	5,000	**4,956**	5,733
Bank charges & interest	-	**27**	-
Computer software & services	5,000	**5,557**	2,753
Delivery	200	**265**	77
Employee benefits	63,059	**69,521**	62,992
Equipment rental & minor purchases	10,250	**12,874**	13,426
Insurance	-	**1,088**	1,373
Legal	30	**20**	281
Licence fees	-	**900**	-
Meeting expenses	-	**789**	-
Miscellaneous	1,565	**4,537**	(426)
Pre-retirement expenses	-	**-**	35,877
Printing/stationery/office	7,000	**9,722**	5,586
Postage	1,500	**(1,939)**	2,997
Public relations	4,500	**5,203**	3,695
Publications	10,000	**6,374**	7,649
Purchased services	4,500	**4,007**	3,647
Rent	70,750	**70,509**	70,503
Repairs & maintenance	-	**1,952**	-
Staff education & recruitment	7,743	**2,888**	2,133
Staff parking	3,000	**3,509**	2,464
Staff travel & expenses	3,500	**1,078**	1,066
Stretch, Massage, Breathe	-	**5,240**	7,835
Telephone	8,500	**7,925**	7,872
Wages & salaries	531,410	**467,396**	460,151
Total Operating Expenditures	737,507	**686,651**	698,670
EXCESS OF REVENUE OVER EXPENDITURES	-	**20,005**	9,062

M.F.L. OCCUPATIONAL HEALTH AND SAFETY CENTRE INC.

SUPPLEMENTARY STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2007

WORKERS COMPENSATION BOARD FUNDED OPERATING PROGRAMS

	United Way	Health Educator	Aboriginal Workers Outreach	Modified Work Practices	Small Business Resource Guide	Total 2007	Tot 20
	$	$	$	$	$	$	
REVENUES:							
WCB revenue	-	-	30,666	27,000	4,872	62,538	130,31
Deferred contribution for capital assets	1,218	-	-	-	-	1,218	1
Repayment of funding	-	-	-	-	-	-	(3,55
Deferred revenue in	-	300	21,462	-	28,808	50,570	8 6
Deferred revenue out	-	-	-	-	-	-	(8 9
Total Revenues	1,218	300	52,128	27,000	33,680	114,326	17 5
EXPENDITURES:							
Amortization on equipment	1,218	-	-	-	-	1,218	1
Education	-	-	603	-	-	603	21
Equipment	-	-	-	-	-	-	3
Office supplies	-	-	960	4,286	499	5,745	2,06
Printing	-	-	-	-	-	-	
Public relations	-	300	10,137	-	13,521	23,958	0
Purchased services	-	-	1,040	-	-	1,040	4,60
Telephone	-	-	1,288	-	-	1,288	51
Travel	-	-	760	411	6,569	7,740	1
Wages	-	-	37,340	44,032	13,091	94,463	88,79
Total Operating Expenditures	1,218	300	52,128	48,729	33,680	136,055	121,3
Excess of Revenue Over Expenditures	-	-	-	(21,729)	-	(21,729)	4

booke
& partners
CHARTERED ACCOUNTANTS

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Auditors' Report

To the Directors of
Main Street Project, Inc.

We have audited the statement of financial position of Main Street Project, Inc. as at March 31, 2007, and the statements of operations and changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many not-for-profit organizations, the organization derives part of its revenue from the general public in the form of donations which are not susceptible of satisfactory audit verification. Accordingly, our verification of revenue from these sources was limited to the amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to contributions, fundraising events and contributed material and services revenue, excess of revenues over expenses, current assets and net assets.

Note 2 describes the amortization policy for property and equipment. The note also states that the building at 71 Martha Street is being amortized at a rate equal to the reduction of the mortgage principal for the year. In this respect the financial statements are not in accordance with Canadian generally accepted accounting principles.

In our opinion, except as explained in the preceding paragraphs, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and changes in its fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 18, 2007

Main Street Project, Inc.

Statements of Operations and Changes in Fund Balances

Year Ended March 31

	2007				2006
	Operating Fund	Restricted Fund (Note 7)	Capital Fund	**Total**	Total
Revenues					
Grants	$1,952,728	$ 1,008	$ -	**$1,953,736**	$1,739,449
Per diem payments	685,066	-	-	**685,066**	653,441
Donations	3,998	32,240	-	**36,238**	36,908
Interest	3,349	4,473	-	**7,822**	5,336
Other	955	-	101,675	**102,630**	68,450
	2,646,096	37,721	101,675	**2,785,492**	2,503,584
Expenses					
Crisis and Detoxification Centre (Page 9)	1,308,723	-	9,098	**1,317,821**	1,454,123
I.P.D.A. (Page 10)	282,053	-	1,776	**283,829**	244,465
Mainstay - Residential Component (Page 11)	114,658	-	69,442	**184,100**	181,422
Mainstay - Client Services (Page 12)	354,028	-	2,296	**356,324**	372,928
Transition Teams (Page 13)	215,452	-	1,390	**216,842**	219,700
Opportunities Ahead (Page 14)	123,561	-	837	**124,398**	85,381
Shelter (Page 15)	243,694	-	1,839	**245,533**	-
	2,642,169	-	86,678	**2,728,847**	2,558,019
Excess (deficiency) of revenues over expenses	$ 3,927	$ 37,721	$ 14,997	**$ 56,645**	$ (54,435)
Fund balances, beginning of year	$ 77,052	$ 190,223	$ (7,927)	**$ 259,348**	$ 317,621
Excess (deficiency) of revenues over expenses	3,927	37,721	14,997	**56,645**	(54,435)
Property and equipment additions	(25,720)	(10,123)	35,843	-	-
Reimbursement to WRHA (Note 8)	-	-	-	-	(3,838)
Interfund transfers (Note 7)	(4,050)	4,050	-	-	-
Fund balances, end of year	$ 51,209	$ 221,871	$ 42,913	**$ 315,993**	$ 259,348

See accompanying notes to the financial statements.

Main Street Project, Inc.
Statement of Financial Position

March 31	2007	2006
Assets		
Current		
Cash and short-term investments	$ 118,505	$ 114,170
Receivables (Note 3)	453,679	133,947
Prepaids	23,445	23,327
Funds held in trust (Note 4)	5,860	5,152
	595,629	271,444
Property and equipment (Note 5)	770,179	775,965
Restricted funds (Note 7)	221,871	190,223
	$ 1,593,539	$ 1,242,784

	2007	2006
Liabilities		
Current		
Payables and accruals	$ 312,261	$ 199,120
Current portion of long-term debt (Note 6)	13,023	12,913
Funds held in trust (Note 4)	5,860	5,152
	331,144	217,185
Long-term debt (Note 6)	946,402	766,251
	1,277,546	983,436
Fund Balances		
Unrestricted	51,209	77,052
Restricted (Note 7)	221,871	190,223
Invested in property and equipment	42,913	(7,927)
	315,993	259,348
	$ 1,593,539	$ 1,242,784

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

1. Nature of operations

Main Street Project, Inc. exists to assist individuals in the City of Winnipeg through periods of crisis and to help them make the best possible use of rehabilitation and support services that exist in Winnipeg. The organization is incorporated under the Manitoba Corporations Act as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The company follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

The organization follows the deferral method of accounting for grants, allocations and contributions.

The Operating Fund accounts for revenues and expenses related to program delivery and administrative activities.

The Capital Fund reports the assets, liabilities, revenue and expenses related to the organization's property and equipment.

The Restricted Fund accounts for assets, liabilities, revenues and expenses segregated for specialized purposes.

b) Revenue recognition

Restricted amounts are recognized as revenue in the year in which the related expenses are incurred.

Unrestricted amounts are recognized as revenue when received or receivable and collection is reasonably assured.

c) Contributed property and services

In the normal course of business the Organization receives food supplies in carrying out its support services. Neither the value nor the cost of these contributed services is recognized in these financial statements.

2. Significant accounting policies (continued)

d) Property and equipment

Purchased property and equipment are recorded in the capital fund at cost less capital grants. Contributed property and equipment are recorded in the capital fund at fair value at the date of contribution. Amortization is provided on a basis designed to write off the assets over their estimated useful lives, except for the 71 Martha building, as follows:

Building - 71 Martha		annual mortgage principal reduction
Buildings - 75 and 77 Martha	40 years	straight-line
Furniture and equipment	5 years	straight-line
Vehicles	10 years	straight-line

e) Financial instruments

Unless otherwise stated in these financial statements, the fair value of the organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

3. Receivables

	2007	2006
Province of Manitoba	$ **35,351**	$ 14,593
City of Winnipeg Police Department	**63,490**	61,635
Manitoba Family Services & Housing	**33,525**	20,854
National Homelessness Initiative	**28,505**	-
Winnipeg Regional Health Authority (wage stabilization)	**85,480**	17,312
Winnipeg Regional Health Authority (additional funding)	**167,429**	2,617
Goods and Services Tax receivable	**8,835**	8,535
Other	**31,064**	8,401
	$ **453,679**	$ 133,947

4. Funds held in trust

In September 2000 the Board of Directors agreed that in appropriate cases, the organization may agree to administer funds on behalf of clients of the organization. The service is only provided to clients whose life, health or well-being may be compromised if the service is refused.

5. Property and equipment

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Land	$ 47,410	$ -	**$ 47,410**	$ 47,410
Building - 71 Martha	554,295	116,318	**437,977**	450,876
Buildings - 75 and 77 Martha	421,563	172,681	**248,882**	255,608
Furniture and equipment	139,886	104,800	**35,086**	21,137
Vehicles	1,099	275	**824**	934
	$ 1,164,253	$ 394,074	**$ 770,179**	$ 775,965

6. Long-term debt

	2007	2006
M.H.R.C., first mortgage repayable in monthly blended installments of $5,679 with interest at a rate of 7 1/4% per annum	**$ 766,266**	$ 779,164
Bank loan, repayable in monthly blended installments of $6,440 with interest at a rate of Prime less 1%	**193,159**	-
	959,425	779,164
Less: current portion	**(13,023)**	(12,913)
	$ 946,402	$ 766,251

The mortgage is secured by a general security agreement over the building.

Principal repayments of the long-term debt obligation estimated to be required in each of the next five years are as follows:

2008	$ 13,022
2009	13,999
2010	15,048
2011	16,176
2012	17,389

7. Restricted funds

	Staff Development Fund	Insurance Reserve	Replacement Reserve	Donations Reserve	**2007 Total**	2006 Total
Balance, beginning of year	$ 18,332	$ 4,024	$ 57,777	$ 110,090	**$ 190,223**	$ 161,100
Excess of revenues over expenses	127	1,008	1,905	34,681	**37,721**	25,073
Property and equipment additions	-	-	(10,123)	-	**(10,123)**	-
Transfer from operating fund	-	-	4,050	-	**4,050**	4,050
Balance, end of year	$ 18,459	$ 5,032	$ 53,609	$ 144,771	**$ 221,871**	$ 190,223

Staff Development Fund

The Staff Development Fund comprises funds that have been internally restricted by the board. The fund is to be used for subsidizing staff training and retreat costs.

Insurance Reserve

The Insurance Reserve comprises externally restricted funds designated to cover costs relating to insurance deductibles.

Replacement Reserve

The Replacement Reserve has been externally restricted for the purposes of funding future major repairs to the building.

Donations Reserve

The Donations Reserve comprises donations and related interest internally restricted by the board of directors. The funds in the reserve are designated for the needs of the clients which are not budgeted for.

8. Contingency - Winnipeg Regional Health Authority

The organization receives funding from the Winnipeg Regional Health Authority (WRHA). Pursuant to the terms of the funding agreement, WRHA is entitled to recover surpluses realized by programs it funds.

Neither the likelihood nor the amount of recovery can be foreseen, therefore no provision has been made in the financial statements. Any recovery of the surplus will be accounted for as a charge to the surplus account in the year of recovery.

9. Contingency - Statement of Claim

The organization has a potential legal claim by a client regarding a wrongful detainment. The amount of the contingent loss, if any, cannot be reasonably estimated at this time.

10. Economic dependence

The volume of financial activity undertaken by Main Street Project, Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

11. Statement of cash flows

The statement of cash flows has not been presented as management does not believe that it provides additional meaningful information.

12. Comparative figures

Certain balances of the preceding period have been reclassified to conform with the current year's financial statement presentation.

Certain balances in the financial statements showing the figures for the corresponding preceding year have not been prepared.

Main Street Project, Inc.
Schedule of Crisis and Detoxification Centre Program

Year Ended March 31	2007	2006
Revenues		
Grants		
Winnipeg Regional Health Authority	$ 1,313,465	$ 1,169,799
National Homelessness Initiative	28,505	-
Per diems		
Manitoba Family Services & Housing	-	234,932
Donation - gift in kind	3,998	15,569
Interest	3,349	2,610
Other		
Miscellaneous	955	300
	1,350,272	1,423,210
Expenses		
Amortization	9,098	7,940
Board expense	277	3,220
Donation - gift in kind	3,998	15,569
Food	64,171	65,789
Insurance	6,138	3,257
Laundry	8,780	10,108
Medical supplies	9,916	12,012
Office	20,782	25,186
Professional fees	5,641	12,552
Program	3,565	6,288
Realty taxes	4,097	2,674
Repairs and maintenance	76,572	52,970
Staff training	2,320	2,901
Telephone	9,180	13,241
Transportation	7,009	19,731
Utilities	31,842	35,026
Wages and benefits	1,054,435	1,165,659
	1,317,821	1,454,123
Excess (deficiency) of revenues over expenses	$ 32,451	$ (30,913)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Intoxicated Persons Detention Area (I.P.D.A.) Program

Year Ended March 31	2007	2006
Revenues		
Per diems		
City of Winnipeg Police Department	$ 261,030	$ 282,590
Winnipeg Regional Health Authority	185	-
	261,215	282,590
Expenses		
Amortization	1,776	1,577
Board expense	82	316
Insurance	480	331
Medical supplies	4,511	4,926
Office	5,675	4,501
Professional fees	775	4,455
Program	-	711
Realty taxes	3,151	3,404
Repairs, maintenance and replacement	15,014	16,140
Staff training	773	11
Telephone	1,410	1,888
Travel	400	-
Utilities	21,203	20,922
Wages and benefits	228,579	185,283
	283,829	244,465
(Deficiency) excess of revenues over expenses	$ (22,614)	$ 38,125

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Mainstay (Residential Component) Program

Year Ended March 31	2007	2006
Revenues		
Grants		
Winnipeg Regional Health Authority	$ 21,555	$ 22,549
Per diems		
Province of Manitoba	69,793	73,291
Other	8,417	2,734
Other		
Manitoba Housing subsidy	68,150	68,150
	167,915	166,724
Expenses		
Administration	9,800	2,000
Amortization	14,269	12,942
Insurance	1,449	1,063
Mortgage interest	55,173	56,065
Office	2,040	227
Professional fees	5,698	6,521
Property taxes	13,506	17,018
Repairs, maintenance and replacements	43,337	41,590
Telephone	1,226	1,895
Utilities	37,602	42,101
	184,100	181,422
Deficiency of revenues over expenses	(16,185)	(14,698)
Prior year deficit reimbursement	33,525	-
Excess (deficiency) of revenues over expenses	$ 17,340	$ (14,698)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Mainstay (Client Services) Program

Year Ended March 31	2007	2006
Revenues		
Grants		
Winnipeg Regional Health Authority	$ 262,049	$ 262,117
Per diems		
Province of Manitoba	67,773	56,678
Other	7,591	3,216
	337,413	322,011
Expenses		
Amortization	2,296	1,796
Food	44,033	61,862
Insurance	2,311	2,417
Laundry	5,272	6,460
Medical supplies	3,440	4,855
Office	7,508	7,074
Professional fees	3,368	2,784
Resident supplies and program	820	2,907
Repairs, maintenance and replacements	2,495	4,487
Telephone	1,442	2,621
Wages and benefits	283,339	275,665
	356,324	372,928
Deficiency of revenues over expenses	$ (18,911)	$ (50,917)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Transition Team Program

Year Ended March 31	2007	2006
Revenues		
Grants		
United Way	$ 108,204	$ 106,100
City of Winnipeg	96,000	96,000
	204,204	202,100
Expenses		
Amortization	1,390	1,127
Office	6,287	6,399
Professional fees	503	685
Repairs and maintenance	136	3,198
Staff training	508	449
Telephone	3,035	4,678
Transportation	3,780	5,819
Utilities	6,503	6,393
Wages and benefits	194,700	190,952
	216,842	219,700
Deficiency of revenues over expenses	$ (12,638)	$ (17,600)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Opportunities Ahead Program

Year Ended March 31	2007	2006
Revenues		
Grants		
Human Resources Development Canada	$ 122,950	$ 81,876
Expenses		
Amortization	837	457
Food	2,143	1,164
Medical supplies	6,363	3,480
Office	989	3,204
Professional fees	10,307	7,723
Program	6,739	2,678
Repairs and maintenance	-	15,762
Staff training	1,126	1,027
Transportation	1,944	746
Wages and benefits	93,950	49,140
	124,398	85,381
Deficiency of revenues over expenses	$ (1,448)	$ (3,505)

See accompanying notes to the financial statements.

Main Street Project, Inc.
Schedule of Shelter Program

Year Ended March 31	2007	2006
Revenues		
Per diems		
Province of Manitoba	$ 270,000	$ -
Winnipeg Regional Health Authority	277	-
	270,277	-
Expenses		
Amortization	1,839	-
Food	1,440	-
Laundry	913	-
Medical supplies	1,590	-
Office	3,214	-
Professional fees	783	-
Repairs and maintenance	4,580	-
Telephone	1,040	-
Wages and benefits	225,433	-
Utilities	4,701	-
	245,533	-
Excess of revenues over expenses	$ 24,744	$ -

See accompanying notes to the financial statements.

CRAIG & ROSS
CHARTERED ACCOUNTANTS

June 11, 2007

AUDITORS' REPORT

To the Board of Directors of
Meadowood Manor Personal Care Home

We have audited the statement of financial position of Meadowood Manor Personal Care Home as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home operations as outlined in Note 1 – Entity Definition as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Craig & Ross

Chartered Accountants

1515 ONE LOMBARD PLACE WINNIPEG MB R3B 0X3 (204) 956-9400 FAX (204) 956-9424
www.craigross.com

MEADOWOOD MANOR PERSONAL CARE HOME

Statement of Financial Position

March 31, 2007

	2007	2006 *Restated*
ASSETS		
CURRENT ASSETS		
Cash	$ 248,258	$ 227,646
Accounts receivable *(Note 4)*	24,359	15,702
Due from Winnipeg Regional Health Authority	-	8,771
Inventories	18,062	11,357
Prepaid expenses	6,966	6,400
Accrued interest receivable	12,989	4,933
	310,634	274,809
INVESTMENTS *(Note 5)*	615,742	585,576
DUE FROM MANITOBA HEALTH *(Note 6)*	541,075	541,074
CAPITAL ASSETS *(Note 7)*	3,242,656	3,435,041
	$ 4,710,107	$ 4,836,500
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Residential charges received in advance	$ 42,319	$ 89,004
Accounts payable and accrued expenses	283,030	167,197
Accrued salaries payable	14,685	99,449
Accrued vacation pay	290,753	284,288
Due to Winnipeg Regional Health Authority	39,860	-
Current portion due to related party *(Note 8)*	65,000	54,449
Current portion of long-term debt *(Note 9)*	155,071	152,300
	890,718	846,687
ACCRUED PRE-RETIREMENT ENTITLEMENT	314,488	314,488
LONG-TERM DEBT *(Note 9)*	1,773,021	1,978,791
DUE TO RELATED PARTY *(Note 8)*	25,000	50,000
DEFERRED CONTRIBUTIONS *(Note 10)*		
Related to expenses of future periods	195,565	180,576
Related to capital assets	1,645,576	1,615,590
NET ASSETS	(134,261)	(149,632)
	$ 4,710,107	$ 4,836,500

APPROVED ON BEHALF OF THE BOARD:

_______________ *Director*

_______________ *Director*

MEADOWOOD MANOR PERSONAL CARE HOME

Statement of Changes in Net Assets

Year Ended March 31, 2007

	Invested in capital assets	Unrestricted	2007 Total	2006 Total
BALANCE - BEGINNING OF YEAR	$ -	$ (149,632)	$ (149,632)	$ (174,592)
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	-	15,371	15,371	12,212
CHANGES IN NET ASSETS INVESTED IN CAPITAL ASSETS				
Amortization of capital assets expense	(253,669)	253,669	-	-
Amortization of deferred contributions - capital assets	225,942	(225,942)	-	-
Capital assets purchased	61,284	(61,284)	-	-
Transferred to deferred contributions related to capital assets	(210,919)	210,919	-	-
Principal repayments	149,635	(149,635)	-	-
Fund transfers	72,727	(72,727)	-	-
TRANSFERS FROM THE MANITOBA BAPTIST HOME SOCIETY INC. DONATION FUND				
Related to operations	-	-	-	12,748
Related to capital assets	(45,000)	45,000	-	-
BALANCE - END OF YEAR	$ -	$ (134,261)	$ (134,261)	$ (149,632)

MEADOWOOD MANOR PERSONAL CARE HOME

Statement of Operations

Year Ended March 31, 2007

	2007	2006
		Restated
REVENUE		
Winnipeg Regional Health Authority	$ 3,190,061	$ 3,136,443
Residential charges	1,358,969	1,340,276
Amortization of deferred contributions related to capital assets	225,942	225,504
Recoveries - dietary, cafeteria, parking, rental	145,869	114,540
Interest earning	36,066	22,919
Other income	4,839	-
Mortgage contribution earned *(Note 9)*	3,366	1,578
Total revenue	4,965,112	4,841,260
EXPENDITURES		
Administration	232,897	272,015
Amortization of capital assets	253,669	247,023
Dietary	602,123	505,079
Employee benefits	475,577	436,148
Housekeeping	188,043	175,327
Information systems	32,168	41,742
Interest on long-term debt *(Note 9)*	143,577	139,753
Laundry	142,895	136,247
Manitoba payroll tax	55,972	55,000
Medical remuneration	2,750	2,750
Nursing	2,301,745	2,230,427
Physical plant	361,459	426,779
Pre-retirement benefits	15,588	13,979
Social work	22,047	25,885
Therapeutic recreation	119,231	120,894
Total expenditures	4,949,741	4,829,048
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	$ 15,371	$ 12,212

MEADOWOOD MANOR PERSONAL CARE HOME

Statement of Cash Flow

Year Ended March 31, 2007

	2007	2006
		Restated
OPERATING ACTIVITIES		
Excess of revenue over expenditures for the year	$ 15,371	$ 12,212
Adjustments for:		
Amortization of deferred contributions related to capital assets	(225,942)	(225,504)
Amortization of capital assets	253,669	247,023
Transfer to net assets from Donation Fund	-	12,748
	43,098	46,479
Adjustments for changes in non-cash working capital balances:		
Accounts receivable	(8,657)	7,361
Due from (to) Winnipeg Regional Health Authority	48,631	(10,286)
Inventories	(6,705)	(478)
Prepaid expenses	(566)	(1,721)
Accrued interest receivable	(8,056)	(540)
Residential charges received in advance	(46,685)	8,108
Accounts payable and accrued expenses	115,833	56,428
Accrued salaries	(84,764)	9,931
Accrued vacation pay	6,465	31,580
Cash flow from operating activities	58,594	146,862
FINANCING ACTIVITIES		
Change in deferred contributions related to expenses of future periods	14,989	3,220
Increase in deferred contributions related to capital assets	255,927	278,572
Loan received from related party	25,000	54,449
Repayment of loan due to related party	(39,449)	-
Long-term debt repayments	(202,999)	(268,023)
Cash flow from financing activities	53,468	68,218
INVESTING ACTIVITIES		
Purchase of capital assets	(61,284)	(64,230)
Purchase of investments	(30,166)	(130,251)
Cash flow from investing activities	(91,450)	(194,481)
INCREASE IN CASH FLOW	20,612	20,599
CASH - BEGINNING OF YEAR	227,646	207,047
CASH - END OF YEAR	$ 248,258	$ 227,646

1. ENTITY DEFINITION

Meadowood Manor (the "Home") is a personal care home operated by the Manitoba Baptist Home Society Inc. (the "Corporation"). The Corporation provides care and shelter to the elderly and infirm. The Corporation is a Registered Charity under the Income Tax Act and is exempt from income taxes provided certain requirements of the Act are met.

These financial statements present the financial position and results of operations of the Personal Care Home Fund of the Manitoba Baptist Home Society Inc. As such, these financial statements do not include all of the assets, liabilities, equity, revenues, and expenses of the Manitoba Baptist Home Society Inc.

2. SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period. The financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of its review of the Home's accounts. Any adjustments will be reflected in the year the final statement of approved costs is received from the WRHA.

a) Deficits
The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses
The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition *(continued)*

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

Inventories

Inventories are carried at the lower of cost and net realizable value cost being determined on a first-in, first-out basis.

Employee future benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining their fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. If the market value becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written down to market value.

Capital assets

Purchased assets with a useful life beyond one year and a cost greater than $2,000 are recorded as capital assets at cost. Contributed capital assets are recorded at fair value at the date of contribution when the fair market value exceeds $2,000. Repairs and maintenance costs are recorded as an expense when incurred. Betterments, which extend the estimated useful life of an asset, are capitalized. When a capital asset no longer contributes to ongoing operations, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Land improvements & site services	10 years
Building	40 years
Building improvements & renovations	10 years
Building service equipment	20 years
Computer hardware & software	3 years
Furniture & equipment	10 years

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial instruments

The Home's financial instruments consist of cash, investments, accounts receivable, accounts payable, amounts due to a related party and long-term debt. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. RESTATEMENT OF FINANCIAL STATEMENTS – CHANGE IN ACCOUNTING FOR LONG-TERM DEBT

During the 2005-2006 fiscal year, the Home restated its long-term debt as deferred contributions related to capital assets in its financial statement at the direction of the Province of Manitoba. As the legal obligation with the third party had not passed directly to the Province of Manitoba, the Home has retroactively restated the portion of its long-term debt included in deferred contributions related to capital assets as long-term debt in the financial statement presentation adopted for the 2006-2007 fiscal year.

Funding received from the WRHA that is designated to reimburse the Home for interest payments on the long-term debt which was recorded as deferred contributions is now recorded on the statement of operations, and the financial statements have been retroactively restated for this change. As a result of this accounting change, there is no net effect on the excess of revenue over expenditures on the Statement of Operations in the current or prior years.

The Statement of Financial Position has been restated as follows:

	2007	2006
Long-term debt, beginning of year (as previously reported)	$ 50,000	$ 170,000
Reclassification of long-term debt	2,081,091	2,232,787
Long-term debt, beginning of year (restated)	**$ 2,131,090**	$ 2,402,787
Deferred contributions related to capital assets, beginning of year (as previously reported)	**$ 3,696,681**	$ 3,791,636
Reclassification of long-term debt	**2,081,091**	2,232,787
Deferred contributions related to capital assets, beginning of the year (restated)	**$ 1,615,590**	$ 1,558,849

MEADOWOOD MANOR PERSONAL CARE HOME

Notes to Financial Statements

March 31, 2007

4. ACCOUNTS RECEIVABLE

	2007	2006
Receivable from residents	$ 19,541	$ 10,693
Allowance for doubtful accounts	(7,329)	(6,138)
	12,211	4,555
Goods and Services Tax rebate	10,460	11,147
Other accounts receivable	1,688	-
	$ 24,359	$ 15,702

5. INVESTMENTS

	2007	2006
Government bonds and term deposits	$ 615,742	$ 585,576

Market value $610,114 (2006 - $569,022).

6. DUE FROM MANITOBA HEALTH

	2007	2006
Current and future employee benefits recoverable:		
Vacation entitlement receivable	$ 228,609	$ 228,609
Pre-retirement entitlement receivable	312,466	312,465
	$ 541,075	$ 541,074

Employee retirement obligations are accrued as incurred based on an actuarial estimation. The liability for vacation benefits is accrued as earned by the employees.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for vacation entitlement and pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004 (adjusted for allocations from the WRHA in 2005) and has been recorded as a receivable on the Statement of Financial Position. The Province of Manitoba has guaranteed to the WRHA and through it to the Home, this outstanding receivable which will be paid "when required". Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the Statement of Operations. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

7. CAPITAL ASSETS

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	$ 150,000	$ -	$ 150,000	$ -
Land improvements and site services	15,155	15,155	15,155	13,263
Building	5,080,825	2,171,554	5,080,825	1,947,836
Building service equipment	21,450	1,073	-	-
Computer hardware & software	10,447	10,447	10,447	6,964
Furniture & equipment	724,988	561,980	685,154	538,477
	$ 6,002,865	$ 2,760,209	$ 5,941,581	$ 2,506,540
Net book value	$ 3,242,656		$ 3,435,041	

8. DUE TO RELATED PARTY

	2007	2006
Meadowood Manor Elderly Persons Housing, non-interest bearing with no specified terms of repayment	$ -	$ 14,449
Meadowood Manor Foundation Inc., $50,000 term loan issued April 10, 2003, bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%, with annual principal payments of $10,000, amortized over five years, unsecured, maturing in April 2008. The due dates for the instalment payments have been deferred until the maturity date.	25,000	50,000
Meadowood Manor Foundation Inc., $40,000 promissory note issued February 9, 2006, payable on demand, unsecured bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%.	40,000	40,000
Meadowood Manor Foundation Inc., $25,000 promissory note issued October 12, 2006, payable on demand, unsecured bearing interest at prime until March 31, 2007 and thereafter bearing interest at prime minus 2%.	25,000	-
	90,000	104,449
Current portion due	65,000	54,449
	$ 25,000	$ 50,000

Principal repayments required over the next two years are as follows:

2007-2008	$ 65,000
2008-2009	25,000
	$ 90,000

9. LONG-TERM DEBT

	2007	2006
Canada Mortgage and Housing Corporation (C.M.H.C.), bearing interest at 10%, repayable in monthly instalments of $11,719 (P&I), secured by a first mortgage on the building, maturing in February 2028.	$ 1,325,669	$ 1,346,369
Toronto-Dominion Bank - $981,313 term loan, bearing interest at prime, with monthly principal payments of $8,180 amortized over ten years, secured by a Letter of Comfort from Manitoba Health for the full amount, maturing in March, 2012.	425,073	523,233
Toronto-Dominion Bank - $331,000 term loan, bearing interest at prime minus 0.50%, with monthly principal payments of $2,845 amortized over ten years, secured by a Letter of Comfort from Manitoba Health, maturing in March, 2012.	177,350	211,489
Toronto-Dominion Bank - $300,000 term loan, bearing interest at prime plus 0.50%, with annual principal payments of $60,000 amortized over five years, secured by a General Security Agreement.	-	50,000
	1,928,092	2,131,091
Current portion of long-term debt	155,071	152,300
	$ 1,773,021	$ 1,978,791

Principal repayments required over the next five years are as follows:

2007-2008	$ 155,071
2008-2009	157,030
2009-2010	159,189
2010-2011	161,571
2011-2012	98,469
Thereafter	1,196,762
	$ 1,928,092

Under the terms of the operating agreement with C.M.H.C., a reduction in mortgage principal is received by a contribution from C.M.H.C. The original contribution of $183,600 is being amortized at the rate of $3,672 annually. At March 31, 2007, the unamortized contribution is $76,806 which reduces the repayable mortgage principal to $1,248,863.

The interest on long-term debt expense of $143,577 is the net expense after receiving an annual interest subsidy of $28,145 from C.M.H.C. as provided in the mortgage agreement. The subsidy reduces the effective interest rate from 10% to 8% over the term of the agreement.

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to expenses of future periods

	2007	2006
Balance, beginning of year	**$ 180,576**	$ 177,356
Add contributions received during the year – WRHA	**26,704**	26,705
Less expenditures for equipment replacement	**(11,715)**	(23,485)
Balance, end of year	**$ 195,565**	$ 180,576

Deferred contributions related to capital assets

Deferred contributions related to capital assets represent the unamortized amount of funding received that is designated for the purchase of capital assets. The funding is amortized at the same rate as the related capital assets and amortization deferred contributions related to capital assets is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year (restated) *(Note 3)*	**$ 1,615,590**	$ 1,558,849
Add additional contributions received:		
Assets purchased from deferred contributions related to expenses of future periods	**11,715**	23,485
Transfer from Donation Fund	**45,000**	80,000
WRHA equipment grants	**49,569**	27,064
WRHA long-term debt principal funding	**149,644**	151,696
Less amounts amortized to revenue	**(225,942)**	(225,504)
Balance, end of year	**$ 1,645,576**	$ 1,615,590

11. PENSION PLAN

Substantially all of the employees of the Home are members of The Healthcare Employees Pension Plan (successor to the Manitoba Health Organization, Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years that provide the highest earnings, prior to retirement, termination or death.

Pension assets consist of investment-grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates in consultation with its actuaries. This amount, together with 6.6% of salaries up to $42,100 and 8.2% of the portion of salaries in excess of $42,100 effective July 1, 2006 (prior to July 1, 2006: 6.4% and 8.0% respectively) and contributions by employees, is required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain equal to employee contributions.

Contribution rates will increase on July 1, 2007 to 6.8% of salaries up to $43,700 and 8.4% for the portion of salaries in excess of $43,700.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan, as at December 31, 2004, indicates the Plan is fully funded. However, the valuation stated that contribution levels were not adequate to fund the cost of benefits and it is necessary to increase contribution rates to 6.85% and 8.6%.

Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $159,129 (2006 - $132,528).

12. FUNDING OF FUTURE EMPLOYEE BENEFITS

Effective April 1, 2004, Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable.

The Home has taken the position that unfunded future employee benefits (which include pre-retirement leave and vacation accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Meadowood Personal Care Home).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which employee future benefit liabilities are to be funded and recorded in the Home's audited financial statements.

13. COMPARATIVE FIGURES

The prior year comparative figures were audited by another firm of Chartered Accountants. Some of the comparative figures have been reclassified to conform to the current year's presentation.

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AUDITORS' REPORT

To the Directors of Middlechurch Home of Winnipeg Inc.

We have audited the non-consolidated statement of financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2007 and the non-consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of Middlechurch Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these non-consolidated financial statements present fairly, in all material respects, the financial position of Middlechurch Home of Winnipeg Inc. as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 11, 2007

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	$ 297,895	$ –
Accounts receivable	21,854	26,704
Receivable from Winnipeg Regional Health Authority (note 3)	1,629	533,936
Employee benefits recoverable from Winnipeg Regional Health Authority [note 16(iii)]	487,714	487,714
Prepaid expenses	35,769	35,735
Inventory	36,347	39,000
Current portion of long-term receivables from Winnipeg Regional Health Authority (note 5)	106,231	66,991
Receivable from Residents' Trust Fund (note 9)	79	1,242
	987,518	1,191,322
Restricted cash and deposits (note 4)	348,180	307,976
Long-term receivables from Winnipeg Regional Health Authority (note 5)	278,545	227,452
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority [note 16(i)]	699,539	610,831
Property and equipment (note 6)	7,715,130	7,973,732
	$ 10,028,912	$ 10,311,313

Liabilities, Deferred Contributions and Net Assets

	2007	2006
Current liabilities:		
Bank indebtedness (note 7)	$ –	$ 102,128
Accounts payable and accrued liabilities (note 8)	483,087	461,202
Advances payable to Winnipeg Regional Health Authority	81,807	528,629
Vacation payable [note 16(iii)]	627,843	596,531
Deferred residential charges	5,499	7,664
Current portion of long-term debt (note 10)	127,409	86,913
	1,325,645	1,783,067
Long-term debt (note 10)	615,045	571,451
Future employee pre-retirement benefits payable [note 16(i)]	722,690	633,982
Deferred contributions (note 11):		
Expenses for future periods	27,826	16,137
Property and equipment	6,167,596	6,311,226
	6,195,422	6,327,363
Net assets:		
Invested in property and equipment (note 12)	1,273,319	1,342,159
Internally restricted:		
Donation	250,808	247,037
Auxiliary	13,847	12,026
Unrestricted	(367,864)	(605,772)
	1,170,110	995,450
Continuity of operations (note 1)		
	$ 10,028,912	$ 10,311,313

See accompanying notes to non-consolidated financial statements.

On behalf of the Board:

Director

Director

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Operations
Year ended March 31, 2007, with comparative figures for 2006

	Invested in property and equipment	Internally restricted - Donation and Auxiliary	Unrestricted	2007 Total	2006 Total
Revenue:					
Residential charges	$ –	$ –	$ 2,957.453	$ 2,957.453	$ 2,922,170
Adult Day Program recoveries	–	–	28,363	28,363	28,574
	–	–	2,985,816	2,985,816	2.950,744
Winnipeg Regional Health Authority:					
Provincial plan	20.191	–	7.362,427	7.382.618	6,731,180
Year end commitments	–	–	6,239	6,239	537,804
Community Service Program	–	–	42,692	42,692	42,280
Adult Day Program	–	–	189,401	189,401	193,626
	20,191	–	7,600,759	7,620,950	7,504,890
Recoveries and other revenue (note 13)	–	–	273,615	273,615	259,045
Amortization of deferred contributions related to property and equipment (note 11)	523,713	–	–	523,713	437,345
Investment income (note 14)	–	8,650	19,645	28,295	12,357
Externally restricted grants brought into revenue (note 11)	–	–	–	–	5,304
Donation revenue	–	132,075	–	132,075	76,130
Auxiliary:					
Donations and other revenue	–	15,400	–	15,400	8,859
Investment income (note 14)	–	724	–	724	556
	–	16,124	–	16,124	9,415
Total revenue	543,904	156,849	10,879,835	11,580,588	11,255,230
Expenses:					
Operating:					
Salaries	–	35,845	7,403,412	7,439,257	7,226,627
Employee benefits	–	–	1,352,331	1,352,331	1,423,154
Manitoba payroll tax	–	–	157,150	157,150	164,983
Medical supplies	–	–	31,863	31,863	17,746
Incontinent supplies	–	–	77,047	77,047	86,653
Purchased services	–	–	98,480	98,480	90,193
Other supplies and expenses	–	–	939,575	939,575	930,195
Shop and tavern	–	–	15,763	15,763	16,384
Hair salon	–	–	51,150	51,150	53,295
Professional fees	–	–	19,629	19,629	33,627
Plant maintenance	–	–	207,672	207,672	167,584
Cafeteria	–	–	41,342	41,342	41,791
Miscellaneous:					
Donation	–	64,849	–	64,849	5,455
Auxiliary	–	14,303	–	14,303	2,305
Amortization of property and equipment	653,804	–	–	653,804	542,881
Bank charges and interest	–	–	–	–	159
Interest on long-term debt	–	–	42,013	42,013	34,934
	653,804	114,997	10,437,427	11,206,228	10,837,966
Adult Day Program:					
Salaries	–	–	94,762	94,762	94,124
Employee benefits	–	–	18,632	18,632	14,806
Manitoba payroll tax	–	–	2,003	2,003	2,268
Food	–	–	19,510	19,510	19,530
Transportation	–	–	71,125	71,125	69,583
Other supplies	–	–	11,730	11,730	17,070
	–	–	217,762	217,762	217,381
Total expenses	653,804	114,997	10,655,189	11,423,990	11,055,347
Excess (deficiency) of revenue over expenses, before the undernoted	(109,900)	41,852	224,646	156,598	199,883
Winnipeg Regional Health Authority prior year adjustment	–	–	4,278	4,278	–
Winnipeg Regional Health Authority future employee benefits recoverable [note 16(i)]	–	–	102,492	102,492	–
Future employee pre-retirement benefits [note 16(i)]	–	–	(88,708)	(88,708)	33,573
Excess (deficiency) of revenue over expenses	$ (109,900)	$ 41,852	$ 242,708	$ 174,660	$ 233,456

See accompanying notes to non-consolidated financial statements.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Invested in property and equipment	Internally restricted		Unrestricted	2007 Total	2006 Total
		Donation	Auxiliary			
Balance, beginning of year	$ 1,342,159	$ 247,037	$ 12,026	$ (605,772)	$ 995,450	$ 761,994
Excess (deficiency) of revenue over expenses	(109,900)	40,031	1,821	242,708	174,660	233,456
Transfer of funds for long-term debt repayments and purchase of capital assets	41,060	(36,260)	–	(4,800)	–	–
Balance, end of year	$ 1,273,319	$ 250,808	$ 13,847	$ (367,864)	$ 1,170,110	$ 995,450

See accompanying notes to non-consolidated financial statements.

MIDDLECHURCH HOME OF WINNIPEG INC.

Non-Consolidated Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess of revenue over expenses	$ 174,660	$ 233,456
Adjustments for:		
Amortization of property and equipment	653,804	542,881
Amortization of deferred contributions	(523,713)	(437,345)
	304,751	338,992
Increase in deferred contributions relating to expenses for future periods, net	11,689	6,284
Change in the following:		
Accounts receivable	4,850	(1,015)
Receivable from Winnipeg Regional Health Authority	532,307	(478,840)
Prepaid expenses	(34)	(6,761)
Inventory	2,653	(17,721)
Restricted cash and deposits	(40,204)	(41,585)
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(88,708)	–
Accounts payable and accrued liabilities	21,885	(28,900)
Advances payable to Winnipeg Regional Health Authority	(446,822)	359,259
Vacation payable	31,312	112,504
Deferred residential charges	(2,165)	5,281
Receivable from Residents' Trust Fund	1,163	(1,301)
Future employee pre-retirement benefits payable	88,708	(33,573)
	421,385	212,624
Financing and investing activities:		
Proceeds of long-term debt	190,652	16,079
Repayments on long-term debt	(106,562)	(86,065)
Change in long-term receivables from Winnipeg Regional Health Authority	(90,333)	66,991
Contributions received related to property and equipment	380,083	125,897
Purchase of property and equipment	(395,202)	(124,458)
	(21,362)	(1,556)
Increase in cash	400,023	211,068
Bank indebtedness, beginning of year	(102,128)	(313,196)
Cash (bank indebtedness), end of year	$ 297,895	$ (102,128)

See accompanying notes to non-consolidated financial statements.

Middlechurch Home of Winnipeg Inc. (Middlechurch Home) was incorporated on April 29, 1884. Middlechurch Home, a residential care facility incorporated as a corporation without share capital under the laws of Manitoba, provides residential care services to Winnipeg and the surrounding community. Middlechurch Home is a registered charity under the *Income Tax Act* and is exempt from income taxes.

1. Continuity of operations:

These financial statements have been prepared on a going concern basis in accordance with Canadian generally accepted accounting principles. The going concern basis of presentation assumes that Middlechurch Home will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

There is doubt about the appropriateness of the use of the going concern assumption as at March 31, 2007. At March 31, 2007, Middlechurch Home's current liabilities exceed its current assets by $338,127 (2006 - $591,745). Middlechurch Home also has an unrestricted net asset deficiency of $367,864 (2006 - $605,772) at March 31, 2007 mainly as a result of losses from operations in prior fiscal years.

The ability of Middlechurch Home to continue as a going concern, to realize the carrying value of its assets and to discharge its liabilities when due is dependent on Middlechurch Home continuing to operate at a break-even or surplus position in future years, and the continued support of the Winnipeg Regional Health Authority.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary in the carrying value of assets and liabilities, the reported revenues and expenses, and the statement of financial position classifications used.

2. Significant accounting policies:

(a) Basis of presentation:

Middlechurch on the Red Inc.:

Middlechurch Home has controlling interest in Middlechurch on the Red Inc., (the Organization) by virtue of its ability to appoint three of the five members of the Organization's Board of Directors and Middlechurch Home is the sponsor of the Organization in operating a life-lease apartment complex.

2. **Significant accounting policies (continued):**

The Organization has not been consolidated in Middlechurch Home's financial statements. Financial statements of the Organization are available upon request. A financial summary of this non-consolidated entity at March 31, 2007 and 2006 and for the years then ended are as follows:

	2007	2006
Financial position:		
Total assets	$ 4,348,337	$ 4,233,619
Total liabilities	$ 4,175,231	$ 4,092,195
Total net assets	173,106	141,424
	$ 4,348,337	$ 4,233,619
Results of operations:		
Total revenue	$ 308,339	$ 299,467
Total expenses	276,657	272,090
Excess of revenue over expenses	$ 31,682	$ 27,377

(b) Revenue recognition:

Middlechurch Home follows the deferral method of accounting for contributions, which include donations and government grants.

Middlechurch Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2007. Middlechurch Home's Service Purchase Agreement with the WRHA continues in effect until March 31, 2010.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets.

2. **Significant accounting policies (continued):**

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Revenue from residential and other services is recognized when the services are provided or the goods are sold.

(c) Inventory:

Inventory, which consists mainly of medical supplies, is valued at the lower of cost, on a first-in first-out basis, and replacement cost.

(d) Property and equipment:

Purchased property and equipment are recorded at cost. Contributed property and equipment are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated life of an asset are capitalized. When property and equipment no longer contributes to Middlechurch Home's ability to provide services, its carrying amount is written-down to its residual value.

Property and equipment are amortized on a straight-line basis using the following annual rates:

Asset	Term
Land improvements	20 years
Buildings	30, 40, and 50 years
Computer equipment and furniture and equipment	5 -10 years

(e) Operating surplus or deficit:

In accordance with the terms and conditions of the Service Purchase Agreement, annual operating deficits are the responsibility of Middlechurch Home. Middlechurch Home may retain the greater of 50 percent of the operating surplus and 2 percent of the global budget as provided by the WRHA, in any fiscal year. Those surpluses that are retained by Middlechurch Home are subject to review by the WRHA. The remaining operating surplus of Middlechurch Home in any fiscal year is repayable to the WRHA. For fiscal 2007 and 2006, Middlechurch Home has received permission from the WRHA to retain all of its operating surplus.

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2. Significant accounting policies (continued):

(f) Contributed services:

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

(g) Future employee pre-retirement benefits:

The cost of Middlechurch Home's future employee pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future employee pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring Middlechurch Home's future employee pre-retirement benefits payable include mortality and withdrawal rates, a discount rate of 4.85 percent (2006 - 5 percent), a rate of salary increase of 3 percent (2006 - 3 percent), plus an age-related merit/promotion scale with no provision for disability.

(h) Internally restricted net assets:

Internally restricted net assets represents transactions and contributions related to donations and auxiliary activities. All expenditures require approval of the Board of Directors.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Receivable from Winnipeg Regional Health Authority:

	2007	2006
Receivable from:		
Employee retirement benefits	$ 104,420	$ 211,953
Salaries and other	64,795	585,505
	169,215	797,458
Payable to:		
Resident charges	181,370	263,522
	(12,155)	533,936
Current future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 16[i])	13,784	–
	$ 1,629	$ 533,936

4. Restricted cash and deposits:

	2007	2006
Restricted for capital asset replacement	$ 69,120	$ 43,174
Restricted for expenses for future periods	15,430	5,730
Internally restricted:		
Donation	249,775	239,601
Auxiliary	13,855	19,471
	$ 348,180	$ 307,976

5. Long-term receivables from Winnipeg Regional Health Authority:

	2007	2006
Long-term receivables from WRHA:		
Fire sprinkler system	$ 161,183	$ 177,118
Sewage plant	66,745	117,325
Roof resurfacing	156,848	–
	384,776	294,443
Portion included in current assets:		
Fire sprinkler system	15,931	16,411
Sewage plant	50,580	50,580
Roof resurfacing	39,720	–
	106,231	66,991
	$ 278,545	$ 227,452

5. Long-term receivables from Winnipeg Regional Health Authority (continued):

Middlechurch Home has three long-term receivables from WRHA relating to the funding of the sewage plant, fire sprinkler system and roof resurfacing. The long-term receivable for the sewage plant bears interest at bank prime, requires monthly principal payments of $4,215 plus interest and matures July 1, 2008; the long-term receivable for the fire sprinkler system requires monthly payments of $1,975 including interest at prime less 0.50 percent and matures February 1, 2018; and the long-term receivable for the roof resurfacing requires monthly payments of $3,310 plus interest at prime less 0.50 percent and matures July 12, 2011.

6. Property and equipment:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 1	$ –	$ 1	$ 1
Land improvements:				
Courtyard Project	543,760	407,820	135,940	163,128
Hostel Project	819,984	614,988	204,996	245,996
Buildings:				
West	993,353	761,583	231,770	258,272
Activity Centre	481,544	313,004	168,540	180,579
Hostel	11,838,353	5,754,434	6,083,919	6,185,423
Sewage Project	663,576	220,568	443,008	465,158
Garage	50,612	15,184	35,428	37,959
Computer equipment and furniture and equipment:				
Manitoba Health funded	1,059,867	687,280	372,587	429,004
Assets fully amortized	1,935,454	1,935,454	–	–
Other	75,520	36,579	38,941	8,212
	$ 18,462,024	$ 10,746,894	$ 7,715,130	$ 7,973,732

7. Bank indebtedness:

	2007	2006
Cheques issued in excess of funds on deposit	$ –	$ 100,289
Operating line of credit	–	1,839
	$ –	$ 102,128

Middlechurch Home has a demand operating line of credit with a maximum limit of $350,000 and bears interest at bank prime rate. The security on the operating line of credit is the same as the security disclosed in note 10 on the term loans with the Royal Bank of Canada.

8. Accounts payable and accrued liabilities:

	2007	2006
Accounts payable and accrued liabilities	$ 309,790	$ 333,907
Wages payable	173,297	127,295
	$ 483,087	$ 461,202

9. Receivable from Residents' Trust Fund:

Funds are held in trust for Home Residents and the Residents' Comfort Fund. These funds are not included in these financial statements.

	2007	2006
Cash	$ 80,084	$ 80,283
Accounts receivable	1,155	1,348
Accounts payable	–	(2,158)
Residents' Trust funds	(81,160)	(78,231)
Net receivable from Residents' Trust Fund	$ 79	$ 1,242

10. Long-term debt:

	2007	2006
Canada Mortgage and Housing Corporation, mortgage payable with monthly payments of $3,360 including interest at 5 3/4%, maturing in 2018	$ 343,340	$ 363,526
Royal Bank of Canada term loan, with monthly principal payments of $4,215 plus interest at prime, maturing on July 1, 2008, supported by a letter of comfort from WRHA	67,140	117,720
Royal Bank of Canada term loan, with monthly payments of $1,975 including interest at prime less 0.50%, maturing on February 1, 2015, supported by a letter of comfort from WRHA	161,182	177,118
Royal Bank of Canada term loan, with monthly payments of $3,310 plus interest at prime less 0.50%, maturing on July 12, 2011, supported by a letter of comfort from WHRA	170,792	–
	742,454	658,364
Current portion	127,409	86,913
	$ 615,045	$ 571,451

10. Long-term debt (continued):

Principal payments due in each of the next five years and thereafter are approximately as follows:

2008	$ 127,409
2009	95,751
2010	81,069
2011	83,368
2012	59,316
2013 and thereafter	295,541

11. Deferred contributions:

(a) Expenses for future periods:

Deferred contributions related to expenses for future periods represent unspent externally restricted grants for authorized repairs and maintenance.

	2007	2006
Balance, beginning of year	$ 16,137	$ 9,853
Additional contributions received	11,689	16,996
Less amount recognized as revenue in the year	–	(10,712)
	$ 27,826	$ 16,137

(b) Property and equipment:

Deferred capital contributions related to property and equipment represent the unspent and unamortized amount of donations and grants received for the purchase of property and equipment. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 6,311,226	$ 6,622,674
Additional contributions received	380,083	125,897
Less amounts amortized to revenue	(523,713)	(437,345)
	$ 6,167,596	$ 6,311,226

11. Deferred contributions (continued):

The balance of unamortized capital contributions related to property and equipment consists of the following:

	2007	2006
Unamortized capital contributions used to purchase property and equipment	$ 6,098,471	$ 6,268,047
Unspent contributions	69,125	43,179
	$ 6,167,596	$ 6,311,226

12. Investment in property and equipment:

Investment in property and equipment is calculated as follows:

	2007	2006
Property and equipment	$ 7,715,130	$ 7,973,732
Amounts financed by:		
Deferred contributions	(6,098,471)	(6,268,047)
Mortgage payable	(343,340)	(363,526)
	$ 1,273,319	$ 1,342,159

13. Recoveries and other revenue:

	2007	2006
Cafeteria	$ 51,554	$ 51,807
Hair salon	62,917	65,269
Parking	47,618	46,553
Administrative	29,927	27,670
Community services	43,334	21,257
Shop and tavern	26,058	24,945
Miscellaneous	10,262	16,703
Vending	1,945	4,841
	$ 273,615	$ 259,045

14. Investment income:

Investment income earned and recorded in the statement of operations is calculated as follows:

	2007	2006
Investment income earned on:		
Donation - internally restricted	$ 8,650	$ 5,806
Auxiliary - internally restricted	724	556
Unrestricted resources	19,645	6,551
	$ 29,019	$ 12,913

15. Related party transactions:

During the year, Middlechurch Home had the following transactions with Middlechurch on the Red, Inc., an organization controlled by Middlechurch Home:

	2007	2006
Revenues:		
Administration fees	$ 6,000	$ 6,000
Water charges	4,800	4,800
Insurance fees	4,811	2,779
Maintenance	3,707	5,778
Expenses:		
Operating	1,050	1,440

Middlechurch Home exercises significant influence over The Middlechurch Home of Winnipeg Foundation Inc. (the Foundation) by virtue of its ability to appoint some of the Foundation's Board of Directors. The Foundation was established to raise funds for the use of Middlechurch Home. The Foundation is incorporated under the *Canada Corporations Act* and is a registered charity under the *Income Tax Act*. Net resources of the Foundation amount to $16,358 at March 31, 2007 and are available, at the discretion of the Foundation's Board of Directors, to Middlechurch Home.

The net assets and results from operations of the Foundation are not included in the statements of the Middlechurch Home. Separate financial statements of the Foundation are available upon request.

15. Related party transactions (continued):

During the year, Middlechurch Home charged $703 (2006 - $553) to the Foundation in order to recover costs incurred on behalf of the Foundation. The Foundation donated $24,518 (2006 - $7,917) during the year to the Middlechurch Home for various expenditures.

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

16. Future employee benefits and employee benefits:

(i) Middlechurch Home maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2007, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $722,690 (2006 - $633,982) for which Middlechurch Home has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

The amount of funding which will be provided by the WRHA for pre-retirements benefits was initially determined as the amount owing as at March 31, 2004 and is recorded as a long-term receivable on the statement of financial position.

Middlechurch Home has been notified that the incremental pre-retirement benefits liability for fiscal 2007 of $88,708 will be funded together with $13,784 relating to the incremental pre-retirement benefits liability for fiscal 2005 and 2006. As a result of the notification, additional revenue has been recorded in the current year. Middlechurch Home expects to receive $13,784 in fiscal 2008.

Manitoba Health has guaranteed payment of the long-term receivable but has not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to Middlechurch Home. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Beginning April 1, 2005, the WRHA established a policy of funding approximately 70 percent of actual pre-retirement benefits paid.

16. Future employee benefits and employee benefits (continued):

Additional, information about Middlechurch Home's employee pre-retirement benefit plan is as follows:

	2007	2006
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 70,599	$ 26,876
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	88,708	(33,573)
WRHA funding for pre-retirement benefits paid	51,976	21,099
WRHA funding for change in pre-retirement benefits payable	102,492	–
Future employee pre-retirement benefits payable	722,690	633,982

(ii) All eligible employees of Middlechurch Home are members of the Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. As individual entities within the plan are not able to identify their share of the underlying assets and liabilities, Middlechurch Home is accounting for the plan as a defined contribution plan. During the year, Middlechurch Home contributed $434,792 (2006 - $440,353) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going concern deficiency and a solvency deficiency. As a result, contribution rates were increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8 percent and 8.4 percent, respectively.

(iii) The cost of Middlechurch Home's vacation benefits is accrued when the benefits are earned by the employees and is reported as vacation payable on the statement of financial position. The vacation liability at March 31, 2007 is $627,843 (2006 - $596,531). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $487,714. This amount is reported as employee benefits recoverable on the statement of financial position.

17. Advances from internally restricted - donation:

During fiscal 2007, the Board approved the advancing of funds from internally restricted donation to fund an upgrade to telephone equipment. These funds are to be repaid out of unrestricted net assets.

Telephone upgrade, payable in monthly instalments of $590, due April 30, 2012	$ 34,802

18. Fair value of financial assets and financial liabilities:

The carrying value of the long-term receivable from Winnipeg Regional Health Authority approximates its fair value as the terms and conditions of the receivable are comparable to current market terms and conditions for similar items.

The fair value of long-term debt approximates its carrying value. Fair value of the long-term debt has been determined using future payments of principal and interest of the actual outstanding long-term debt discounted at current interest rates available to the Middlechurch Home.

The fair value of the future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority is not practical to determine due to its underlying terms and conditions.

The fair value of the Middlechurch Home's other financial assets and financial liabilities approximates carrying value due to their short term to maturity.

19. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

Deloitte.

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AUDITORS' REPORT

To the Directors of
Misericordia Health Centre

We have audited the statement of financial position of Misericordia Health Centre as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 1, 2007

MISERICORDIA HEALTH CENTRE
Statement of Operations
Year Ended March 31, 2007

	2007	2006
REVENUE		
In-patient and out-patient		
WRHA/Manitoba Health	$ 42,192,222	$ 39,717,264
Resident income	4,123,134	4,077,388
Other	185,248	229,261
	46,500,604	44,023,913
Offset income	3,217,648	4,723,484
	49,718,252	48,747,397
Amortization of deferred contributions	2,112,799	2,143,854
Total revenue	51,831,051	50,891,251
EXPENSES		
Compensation costs		
Non-medical salaries - Schedule 1	29,701,851	28,893,395
Medical remuneration - Schedule 2	719,826	633,238
Employee benefits and health and education levy - Schedule 3	5,076,184	5,009,975
Change in actuarial estimate of pre-retirement benefit	297,605	227,679
	35,795,466	34,764,287
Non-compensation costs		
Medical/surgical supplies - Schedule 4	3,248,240	2,909,545
Medication expenses - Schedule 5	2,319,606	3,855,751
Supplies/other expenses - Schedule 6	3,286,257	3,185,043
Sundry - Schedule 7	1,210,974	1,235,445
Equipment expense - Schedule 8	877,340	983,510
Referred out services - other - Schedule 9	588,105	665,848
Referred out services - Central Food	932,117	931,857
Referred out services - Laboratories	467,604	-
Referred out services - Information technology	379,668	221,473
Undistributed expenses - Schedule 10	289,898	471,607
Amortization of capital assets	2,078,628	2,144,666
	15,678,437	16,604,745
Total expenses	51,473,903	51,369,032
SURPLUS (DEFICIT) FROM OPERATIONS	357,148	(477,781)
Net Income - Ancillary Operations (Note 12)	175,153	164,132
	175,153	164,132
SURPLUS (DEFICIT) FOR THE YEAR	$ 532,301	$ (313,649)

MISERICORDIA HEALTH CENTRE
Statement of Financial Position
March 31, 2007

	2007			2006
	General Fund	Ancillary Fund	Total	Total
ASSETS				
CURRENT				
Cash	$ 1,556,879	$ 510,388	**$ 2,067,267**	$ 1,101,354
Investments	1,668,648	2,526,614	**4,195,262**	4,054,924
Accounts receivable (Note 3)	575,187	21,061	**596,248**	1,133,417
Stores and supplies on hand	460,868	24,112	**484,980**	676,740
Prepaid expenses	307,556	-	**307,556**	265,465
Due from WRHA/Manitoba Health				
- future retirement entitlements	130,791	-	**130,791**	-
- accrued vacation entitlements	2,299,331	-	**2,299,331**	2,305,920
	6,999,260	3,082,175	**10,081,435**	9,537,820
CAPITAL ASSETS (Note 4)	26,313,131	2,404,600	**28,717,731**	28,791,624
DUE FROM WRHA/MANITOBA HEALTH-FUTURE RETIREMENT ENTITLEMENTS	3,594,779	-	**3,594,779**	3,297,174
	$ 36,907,170	$ 5,486,775	**$ 42,393,945**	$ 41,626,618
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS				
CURRENT				
Accounts payable and accrued charges (Note 6)	$ 3,680,047	$ 9,167	**$ 3,689,214**	$ 3,456,558
Accrued vacation entitlements	2,615,643	-	**2,615,643**	2,462,988
Due to (from) other fund	(22,100)	22,100	**-**	-
	6,273,590	31,267	**6,304,857**	5,919,546
FUTURE RETIREMENT ENTITLEMENTS (Note 7)	3,814,458	-	**3,814,458**	3,516,853
DEFERRED CONTRIBUTIONS (Note 9)	24,604,469	-	**24,604,469**	25,052,359
	34,692,517	31,267	**34,723,784**	34,488,758
CONTINGENCIES (Note 13)				
COMMITMENTS (Note 14)				
NET ASSETS				
Invested in capital assets (Note 10)	1,553,753	2,404,600	**3,958,353**	4,127,029
Unrestricted	660,900	-	**660,900**	296,469
Restricted	-	3,050,908	**3,050,908**	2,714,362
	2,214,653	5,455,508	**7,670,161**	7,137,860
	$ 36,907,170	$ 5,486,775	**$ 42,393,945**	$ 41,626,618

APPROVED BY THE BOARD

. . . . Director

. . . . Director

MISERICORDIA HEALTH CENTRE
Statement of Cash Flows
Year Ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Surplus (deficit) for the year	$ 532,301	$ (313,649)
Items not affecting cash		
Amortization of capital assets	2,240,021	2,306,738
Amortization of deferred contributions	(2,071,345)	(2,123,873)
	700,977	(130,784)
Change in non-cash working capital items		
Accounts receivable	537,169	(247,937)
Stores and supplies on hand	191,760	326,406
Prepaid expenses	(42,092)	268,388
Due from WRHA/Manitoba Health - accrued vacation entitlements	6,589	-
Due from WRHA/Manitoba Health - future retirement entitlements	(428,396)	-
Accounts payable and accrued charges	232,656	(617,562)
Accrued vacation entitlements	152,655	58,736
Future retirement entitlements	297,605	227,679
	1,648,923	(115,074)
FINANCING ACTIVITY		
Additional deferred contributions received	1,623,455	2,872,790
INVESTING ACTIVITIES		
Purchase of interest bearing securities	(875,448)	(379,264)
Redemption of interest bearing securities	735,110	318,846
Acquisition of capital assets	(2,182,127)	(2,477,466)
Proceeds on sale of capital assets	16,000	-
	(2,306,465)	(2,537,884)
Net increase (decrease) in cash position	965,913	219,832
Cash position, beginning of year	1,101,354	881,522
Cash position, end of year	$ 2,067,267	$ 1,101,354

MISERICORDIA HEALTH CENTRE
Statement of Changes in Net Assets
Year Ended March 31, 2007

	2007				2006
	General Fund Unrestricted	**Invested in Capital Assets**	**Ancillary Fund Restricted**	**Total**	Total
BALANCE, BEGINNING OF YEAR	$ 296,469	$ 4,127,029	$ 2,714,362	$ **7,137,860**	$ 7,451,509
(DEFICIT) SURPLUS FOR THE YEAR	364,431	(168,676)	336,546	**532,301**	(313,649)
BALANCE, END OF YEAR	$ 660,900	$ 3,958,353	$ 3,050,908	$ **7,670,161**	$ 7,137,860

1. DESCRIPTION OF ORGANIZATION

The Misericordia General Hospital, also known as Misericordia Health Centre, was incorporated under a special act, Bill 40, of the Legislature of Manitoba receiving assent May 22, 1968, and was thereafter registered under the Companies Act, Manitoba on June 11, 1968. The Misericordia General Hospital Incorporation Amendment Act, Bill 501, received royal assent July 5, 1994. The Corporation provides hospital and related services and is located in Winnipeg, Manitoba.

The Health Centre is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes under section 149.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The following are the Centre's significant accounting policies:

a) *Revenue recognition*

The Centre follows the deferral method of accounting for contributions which include donations and government grants.

The Centre is funded primarily by the WRHA/Province of Manitoba in accordance with the budget arrangements established by WRHA/Manitoba Health. Operating grants are recorded as revenue in the period to which they relate. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonable assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

b) *Investments*

Investments are recorded at face value. Interest from underlying investments are recorded as earned. Bond discounts and premiums are amortized on a straight-line basis to maturity.

c) *Stores and supplies on hand*

Stores and supplies on hand are valued at lower of cost or replacement cost. Cost is generally determined on an average cost basis.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) *WRHA/Manitoba Health Funding*

Funding is provided by the WRHA/Manitoba Health on an expense recovery basis for out-of-globe expenditures including debt principal repayment and interest expense. In addition, WRHA/Manitoba Health funds any shortfall of out-of-globe non-insured patient income from budget, and conversely recovers any excess of non-insured patient income over budget.

Funding provided by WRHA/Manitoba Health for all other eligible operations is provided in accordance with the approved in-globe budget. The Centre is responsible for any in-globe deficits but may retain in-globe surpluses up to a specified maximum (presently at two percent of net in-globe expenses). Additional funding may be provided by the WRHA/Manitoba Health for in-globe expenses not initially included in the budget.

In accordance with the WRHA's Surplus Retention & Use Policy, 50% of any insured services operating surplus experienced in any fiscal year is carried on the Statement of Financial Position as a Contingent Liability until such time as the WRHA reviews the audited financial statements. At that time the WRHA will confirm what portion of the insured services surplus is payable back to the WRHA.

e) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Buildings	10 - 50 years
Furniture & equipment	5 - 16 years
Parking lot	40 years

f) *Construction in progress*

Construction in progress is recorded at cost. When the specific project is completed, all capitalized costs are transferred to the appropriate category in capital assets. No amortization is taken on construction-in-progress.

g) *Contributed services*

Contributed services are recorded at their estimated fair value.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Vacation entitlements

The Centre records the accrued vacation entitlement liability. Any liability in excess of the March 31, 2004 amount is reflected as a current year in-globe expense as directed by the Winnipeg Regional Health Authority.

i) Retirement entitlements

The Centre has a contractual commitment to pay out to its employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee.

The Centre has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above.

j) Due from WRHA/MB Health – vacation and future retirement entitlements

Funding for vacation entitlements by the WRHA/MB Health has been capped at the amount owing for vacation entitlements as at March 31, 2004. Any liability in excess of the March 31, 2004 amount is reflected as a current year in-globe expense as directed by the WRHA/MB Health. Because the vacation entitlements up to the March 31, 2004 will be funded, this amount has been recorded on the statement of financial position as a receivable from the WRHA/MB Health.

Funding for future retirement entitlements is recoverable from WRHA/Manitoba Health up to the amount due as of March 31, 2005. Entitlements earned from April 1, 2005 to March 31, 2006 were reflected as an expense on the Statement of Operations net of a recovery of $130,791 from the WRHA/Manitoba Health. Entitlements earned from April 1, 2006 to March 31, 2007 are recoverable from WRHA/Manitoba Health.

The amount of the aggregate receivable from WRHA/Manitoba Health is being recorded on a non-discounted basis consistent with the carrying value recorded in the financial statements of the WRHA, a related party to the Centre. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

k) Financial instruments

The carrying value of the Centre's financial assets and liabilities approximate their fair values due to their short-term nature.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. ACCOUNTS RECEIVABLE

	2007	2006
Receivable from WRHA/Manitoba Health	**$ 157,303**	$ 320,146
Other receivables	**438,945**	813,271
	$ 596,248	$1,133,417

4. CAPITAL ASSETS

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 916,818**	**$ -**	$ 916,818	$ -
Buildings	**35,297,650**	**17,367,579**	35,144,928	16,341,424
Parking lot	**4,709,733**	**2,438,014**	4,709,733	2,290,913
Furniture and equipment	**22,800,913**	**22,049,010**	22,260,958	21,061,544
Construction in progress	**6,847,220**	**-**	5,453,069	-
	70,572,334	**41,854,603**	68,485,506	39,693,881
Cost less accumulated amortization	**$ 28,717,731**		$28,791,624	

5. OPERATING LOAN

The Centre has access to an operating credit loan in the amount of $2,000,000 that bears interest at prime. The operating loan is secured by a general assignment of book debts and a letter of comfort from Manitoba Health. The Centre had not drawn upon this operating loan as at March 31, 2007 (2006 – $Nil).

6. ACCOUNTS PAYABLE AND ACCRUED CHARGES

	2007	2006
Accounts payable and accrued charges	**$ 3,434,229**	$ 3,327,441
Advance from WRHA/Manitoba Health	**254,985**	129,117
	$ 3,689,214	$ 3,456,558

7. FUTURE RETIREMENT ENTITLEMENTS

The Centre undertook an actuarial valuation of the future retirement entitlements. The significant actuarial assumptions adopted in measuring the Centre's future retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% and a rate of salary increase of 3.0% plus age related merit/promotion scale with nil for disability. Actual payments made during the year for the Centre's retirement entitlements were $290,141 (2006 - $407,671).

8. LONG-TERM DEBT RESTATED AS DEFERRED CONTRIBUTIONS

In prior years, the Centre entered into long term loan arrangements with a financial institution. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2005 fiscal year, the long-term debt was assumed by the Province of Manitoba and recognized as borrowings in the Public Accounts of the Province of Manitoba as of April 1, 2004. Accordingly, since the Province of Manitoba has recognized the long-term debt as its borrowings, the Centre has restated the long-term debt as deferred contributions in these financial statements.

The long-term debt with third parties included in deferred contributions (Note 9) relates to the following:

	2007	2006
Diagnostic imaging	$ -	$ 188,508
Fire safety upgrade – Phase 2	-	1,266,803
CT scanner	-	871,820
HVAC upgrade	-	139,483
Ultrasound machine	-	225,060
Anesthesia monitors	-	162,801
Cornish windows – Phase I	-	454,848
Fire safety upgrade – Phase 3	-	978,357
Emergency transfer switch	-	304,530
Roof replacement	-	294,259
Cornish windows – Phase 2	-	480,434
Negative Pressure Isolation room	**189,775**	-
Maryland Decanting project	**53,009**	-
Total long-term debt	**242,784**	5,366,903
Current portion of long-term debt	**26,940**	473,400
	$ 215,844	$ 4,893,503

8. LONG-TERM DEBT RESTATED AS DEFERRED CONTRIBUTIONS (continued)

The long-term debt bears interest at bank prime less 3/4%.

All loans are repayable in various monthly amounts aggregating $2,245 per month plus interest. All loans are secured by an assignment of book debts and letters of comfort from Manitoba Health and the Province of Manitoba. Principal amounts due in the next five years are as follows:

2008	$ 26,940
2009	26,940
2010	26,940
2011	26,940
2012	26,940
Thereafter	108,084
	$ 242,784

The Provincial Government has committed to provide funding to repay all long-term debt outstanding as well as interest.

9. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2007					
	Purchased Capital Assets	Future Capital Assets	Long-term Debt-Province	Long-term Debt - Third Parties (Note 8)	Total	2006 Total
Balance, beginning of year	$ 8,152,221	$ 295,140	$ 11,238,095	$ 5,366,903	$ 25,052,359	$ 24,303,443
Additional contributions received:						
Capital expenditures						
Basic	152,087	(32,731)	-	-	119,356	161,803
Specialized	211,374	(147,103)	-	-	64,271	44,531
donations	70,069	-	-	-	70,069	246,184
Construction in progress	902,345	-	-	-	902,345	746,381
New borrowings	-	-	5,000,000	423,971	5,423,971	1,708,514
Funding of debt repayments	548,090	-	-	(5,548,090)	(5,000,000)	(17,760)
Donation	26,518	-	-	-	26,518	-
Realization of deferred income	-	-	-	-	-	(26,008)
Differential income	-	925	-	-	925	6,969
Sale of equipment	-	16,000	-	-	16,000	2,175
Amortization	(2,071,345)	-	-	-	(2,071,345)	(2,123,873)
Balance, end of year	$ 7,991,359	$ 132,231	$ 16,238,095	$ 242,784	$ 24,604,469	$ 25,052,359

10. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	**$ 28,717,731**	$ 28,791,624
Amounts financed by		
Deferred contributions - purchased capital assets	**(7,991,359)**	(8,152,221)
Deferred contributions - long-term debt (province)	**(16,238,095)**	(11,238,095)
Deferred contributions - long-term debt (third parties)	**(242,784)**	(5,366,903)
Debt to finance renovations	**11,771**	153,043
Inter-fund financing	**(181,241)**	(11,049)
Accounts payable and accrued charges	**(117,670)**	(49,370)
	$ 3,958,353	$ 4,127,029

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of expenses over revenue		
Amortization of deferred contributions related to capital assets	**$ 2,071,345**	$ 2,123,873
Amortization of capital assets	**(2,240,021)**	(2,306,738)
	$ (168,676)	$ (182,865)

c) Net change in investment in capital assets

	2007	2006
Purchase of capital assets	**$ 2,166,127**	$2,477,466
Increase in deferred contributions	**(1,910,483)**	(1,523,476)
Increase from new bank loans	**(5,423,971)**	(1,708,514)
Decrease in debt to finance renovations	**(141,271)**	(19,548)
Decrease (Increase) in inter-fund financing	**(170,192)**	95,231
Accounts payable and accrued charges	**(68,300)**	154,950
Long-term debt repayments	**5,548,090**	523,891
	$ -	$ -

11. RELATED PARTIES

The Centre has an economic interest in the Misericordia Health Centre Foundation Inc. (the Foundation).

The Foundation, which is incorporated under the Corporations Act of Manitoba, is a registered charity for the purposes of the Income Tax Act and accordingly is exempt from income taxes. The Foundation's aims and objectives are to raise, invest and allocate funds generally to or for the benefit of the Centre. The financial statements of the Foundation have not been consolidated in these statements.

11. RELATED PARTIES (continued)

At March 31, 2007, net resources of the Foundation amount to $1,222,415 (2006 - $1,679,887), of which $558,191 (2006 - $556,923) represents an endowment fund and $664,224 (2006 – $1,122,974) represents contributions restricted for specific future projects / acquisitions for the Centre. During the year the Foundation donated $910,238 (2006 - $448,391) to the Centre for specific projects / acquisitions.

12. NET INCOME - ANCILLARY OPERATIONS

	2007	2006
Revenue	**$ 1,121,196**	$ 1,077,050
Expense	**(946,043)**	(912,918)
	$ 175,153	$ 164,132

Expenses include amortization of capital assets of $161,393 (2006 - $162,072).

13. CONTINGENCIES

The Centre has been named as a defendant in a number of legal claims. Where the outcome of certain claims is not determinable and no judgements have been received, no provision for these claims has been recorded in these financial statements. In the opinion of management, it is not anticipated that litigation settlements for those claims, if any, will be significant.

14. COMMITMENTS

The Centre has entered into a commitment to support the Shared Food Services Project of WRHA Logistics. This commitment requires that all patient food services for the next 11 years be purchased from WRHA Logistics.

On February 28, 2007, Manitoba Health approved the consolidation of approved borrowings with the Department of Finance in the amount of $5,000,000 and an interest rate of 4.9%. A monthly principal payment of $41,666 plus interest will commence on March 31, 2007 with monthly principal payments of $41,666 plus interest to be provided thereafter. These payments will continue over the 10 year amortization of the debt

15. HEALTHCARE EMPLOYEES PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan – Manitoba, a multi-employer plan. The Centre's liability under the pension plan is limited to the contributions required during the year under the respective agreements.

Employer contributions made to the plan during the year by the Centre amounted to $1,680,597 (2006 - $1,524,959).

16. SUBSEQUENT EVENTS

Subsequent to the end of the fiscal year, a Letter of Intent (LOI), dated April 10, 2007, was signed by the Board of Directors of the Centre and the Winnipeg Regional Health Authority (WRHA), which outlined an agreement in principle to further regionalize the operations of the Misericorida Health Centre (MHC). Among the broad principles that were set out in the LOI, which will be further addressed in a new operating agreement mutually developed by the parties, MHC agreed to transfer financial responsibility for the operations to the WRHA, effective April 1, 2007. To the extent that there is an unrestricted net asset surplus, such surplus is to be transferred to the Misericorida Health Centre Foundation (Foundation) in support of its capital campaign for the redevelopment of certain MHC buildings. Accordingly the management of MHC intends to transfer the unrestricted net asset surplus ($660,900), as at March 31, 2007, to the Foundation, and no amount has been set aside as a contingent liability to the WRHA in respect of the current year's operating surplus.

17. COMPARATIVE FIGURES

Certain of the prior year numbers have been reclassified to conform with the current year financial statement presentation.

MISERICORDIA HEALTH CENTRE
Supplementary Schedules
Year Ended March 31, 2007

Schedule 1

SCHEDULE OF NON-MEDICAL SALARIES	2007	2006
Programs		
Cardiac sciences	$ **57,988**	$ 58,747
Diagnostic imaging	**1,845,263**	1,908,667
Urgent care	**2,544,033**	2,474,925
Provincial health contact centre	**3,897,579**	2,808,992
Laboratories	**59,601**	465,791
Mental health	**103,694**	108,223
Pediatric dental services	**267,338**	210,384
Opthalmology	**3,792,600**	3,470,777
Ambulatory care	**445,316**	431,268
Long term care	**8,110,415**	7,966,895
Other diagnostic & therapeutic	**905,184**	898,241
Pharmacy	**8,226**	390,330
	22,037,237	21,193,240
Support Services		
Administration	**1,769,144**	1,666,509
Clinical & non clinical support	**1,633,466**	1,573,251
Facility services	**3,948,828**	3,796,133
Information services	**-**	81,903
Marketed services	**24,369**	22,920
Education & research services	**354,360**	311,580
	7,730,167	7,452,296
Vacation accrual (gain) / Retroactive pay	**(65,553)**	247,859
	$ **29,701,851**	$ 28,893,395

Schedule 2

SCHEDULE OF MEDICAL REMUNERATION	2007	2006
Computed tomography	$ **540,064**	$ 454,110
Radiology fees	**179,762**	179,128
	$ **719,826**	$ 633,238

Schedule 3

SCHEDULE OF EMPLOYEE BENEFITS AND HEALTH AND EDUCATION LEVY

	2007	2006
Healthcare employees pension plan	$ **1,689,738**	$ 1,537,398
Employment insurance	**599,970**	610,407
Canada pension plan	**1,086,707**	1,045,462
Workers compensation	**325,186**	359,984
Dental plan	**184,335**	182,362
Pre-retirement leave	**302,112**	407,671
Group life insurance	**54,792**	52,227
Long-term disability	**219,440**	228,223
Health and education levy	**613,904**	586,241
	$ **5,076,184**	$ 5,009,975

Schedule 4

SCHEDULE OF MEDICAL/SURGICAL SUPPLIES	2007	2006
Instruments	$ **1,258,579**	$ 820,663
Lens	**1,149,144**	1,092,735
Sutures and staples	**123,118**	113,665
General	**717,399**	882,482
	$ **3,248,240**	$ 2,909,545

Schedule 5

SCHEDULE OF MEDICATION EXPENSES	2007	2006
Prescription and non-prescription medication	$ **2,095,248**	$ 3,787,479
Intravenous solutions	**186,554**	35,881
Oxygen	**11,177**	9,865
Anesthetic gases	**-**	5,994
Other medical gases	**26,627**	16,532
	$ **2,319,606**	$ 3,855,751

Schedule 6

SCHEDULE OF SUPPLIES/OTHER EXPENSES	**2007**	2006
Other supplies - general	$ **782,660**	$ 762,820
Disposable drapes and gowns	**527,848**	543,211
Dietary supplies	**91,874**	75,988
Electricity	**270,696**	264,954
Printing, stationery, photocopy and office supplies	**215,897**	191,228
Diagnostic imaging supplies	**141,108**	142,594
Fuel	**507,727**	508,195
Laboratory supplies	**124,619**	122,827
Building repair supplies/services	**167,645**	167,992
Water	**227,173**	220,854
Paper and disposable supplies and cleansing agents	**212,239**	160,581
Bedding and linen	**2,489**	8,683
Other supplies - purchased services	**14,282**	15,116
	$ **3,286,257**	$ 3,185,043

Schedule 7

SCHEDULE OF SUNDRY EXPENSES	**2007**	2006
WRHA logistics management fees	$ **170,594**	$ 175,379
Travel		
Travel and training - staff	**73,332**	69,271
Patient travel	**165,943**	166,314
Insurance	**88,926**	101,062
Rental - building	**102,400**	102,400
Automated payroll and bank services charges	**94,917**	84,476
Membership fees	**26,506**	26,038
Audit fees	**51,351**	42,752
Postage	**30,856**	27,312
Data communication charges	**90,052**	77,437
Accreditation fees	**4,995**	4,566
Advertising	**16,974**	18,228
Labour relations fees	**8,459**	9,261
Legal fees	**102,511**	114,589
Delivery and courier	**106,005**	99,426
Licence fees	**25,472**	67,528
Miscellaneous expenses	**51,681**	49,406
	$ **1,210,974**	$ 1,235,445

Schedule 8

SCHEDULE OF EQUIPMENT EXPENSE	**2007**	2006
Service contracts	**$ 320,738**	$ 284,618
Telephone rental/maintenance	**153,918**	164,178
Photocopy rental/lease	**98,815**	103,026
Purchase of minor equipment	**85,073**	76,976
Electronics maintenance	**9,874**	11,707
Other equipment maintenance	**208,922**	343,005
	$ 877,340	$ 983,510

Schedule 9

SCHEDULE OF REFERRED OUT SERVICES-OTHER	**2007**	2006
Laundry charges	**$ 432,797**	$ 592,741
Diagnostic imaging referred out tests	**-**	398
Non-drug costs from Deer Lodge	**154,054**	67,793
Laboratory referred out lab tests	**734**	3,742
Dry cleaning charges	**520**	1,174
	$ 588,105	$ 665,848

Schedule 10

SCHEDULE OF UNDISTRIBUTED EXPENSES	**2007**	2006
Renovations	**$ 34,931**	$ 230,315
Building maintenance/service contracts	**153,509**	132,975
Taxes	**101,458**	108,317
	$ 289,898	$ 471,607

MISERICORDIA HEALTH CENTRE
Supplementary Schedules
Year Ended March 31, 2007

Schedule 11

SCHEDULE OF REVENUES AND EXPENSES - MISERICORDIA HEALTH CENTRE AND MISERICORDIA PLACE

	Misericordia Health Centre	Misericordia Place	Total
REVENUE			
In-patient and out-patient			
WRHA/Manitoba Health	$ 38,766,629	$ 3,425,593	$ **42,192,222**
Resident income	2,559,670	1,563,464	**4,123,134**
Other	185,248	-	**185,248**
	41,511,547	4,989,057	**46,500,604**
Offset income	3,216,634	1,014	**3,217,648**
	44,728,181	4,990,071	**49,718,252**
Amortization of deferred contributions	1,849,469	263,330	**2,112,799**
Total revenue	46,577,650	5,253,401	**51,831,051**
EXPENSES			
Compensation costs			
Non-medical salaries	26,214,314	3,487,537	**29,701,851**
Medical remuneration	719,826	-	**719,826**
Employee benefits	4,486,352	589,832	**5,076,184**
Change in actuarial estimate of pre-retirement benefit	259,260	38,345	**297,605**
	31,679,752	4,115,714	**35,795,466**
Non-compensation costs			
Medical/surgical supplies	3,217,383	30,857	**3,248,240**
Medication expenses	2,318,980	626	**2,319,606**
Supplies/other expenses	3,049,185	237,072	**3,286,257**
Sundry	1,072,666	138,308	**1,210,974**
Equipment expense	831,192	46,148	**877,340**
Referred out services - other	518,744	69,361	**588,105**
Referred out services - Central Food	588,883	343,234	**932,117**
Referred out services - Laboratories	467,604	-	**467,604**
Referred out services - Information technology	379,668	-	**379,668**
Undistributed expenses	194,521	95,377	**289,898**
Amortization of capital assets	1,827,032	251,596	**2,078,628**
	14,465,857	1,212,580	**15,678,437**
Total expenses	46,145,609	5,328,294	**51,473,903**
DEFICIT FROM OPERATIONS	432,040	(74,892)	**357,148**
Net Income - Ancillary Operations	175,153	-	**175,153**
SURPLUS FOR THE YEAR	$ 607,193	$ (74,892)	$ **532,301**

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Auditors' Report

To the Members of
MOUNT CARMEL CLINIC:

We have audited the statement of financial position of **MOUNT CARMEL CLINIC** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Clinic's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Clinic as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 11, 2007

MOUNT CARMEL CLINIC
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Cash	$ **1,307,549**	$ 844,656
Investments	**110,985**	107,079
Accounts receivable (Note 2)	**216,187**	191,473
Due from WRHA (Note 3)	**417,045**	239,545
Inventories	**107,431**	163,104
Prepaid expenses	**16,328**	16,382
Vacation entitlements receivable	**381,653**	381,653
	2,557,178	1,943,892
Retirement obligations receivable (Note 15)	**398,115**	387,859
Capital assets (Note 4)	**2,279,803**	2,116,605
Due from Mount Carmel Clinic Foundation	**69,090**	63,279
	$ **5,304,186**	$ 4,511,635
Liabilities and Net Assets		
Current		
Accounts payable and accruals	$ **795,520**	$ 399,947
Due to WRHA (Note 5)	**16,472**	90
Accrued vacation entitlements	**396,942**	404,307
Deferred revenue (Note 6)	**567,481**	438,504
Current portion of long-term debt (Note 7)	**3,388**	3,561
	1,779,803	1,246,409
Accrued retirement obligations	**520,639**	576,487
Long-term debt (Note 7)	**141,687**	144,818
Deferred Contributions (Note 8)		
Expenses of future periods	**23,990**	17,098
Capital assets	**1,721,496**	1,559,201
	4,187,615	3,544,013
Commitments and contingencies (Note 12)		
Net assets (Page 5)	**1,116,571**	967,622
	$ **5,304,186**	$ 4,511,635

Approved on behalf of the Board of Directors

____________________ Director

____________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Winnipeg Regional Health Authority (Note 11)	$ 6,232,987	$ 5,971,149
Pharmacy sales	1,663,561	1,837,840
Province of Manitoba	596,955	647,153
Other	543,305	427,869
Health Canada	324,910	284,649
United Way of Winnipeg	121,356	119,160
Medical program	111,164	184,244
Amortization of Deferred contributions	105,135	92,131
Dental revenue	79,422	72,791
Department of Justice Funding	68,145	136,154
Investment income	35,716	27,519
Parent fees	28,177	30,461
Donations	21,424	16,102
Rental revenue	8,000	8,000
Mount Carmel Clinic Foundation	-	27,026
	9,940,257	9,882,248
Expenditures		
Salaries	5,796,154	5,996,814
Drugs	1,016,176	1,172,194
Program supplies and other expenses	804,064	701,961
Employee benefits	795,361	793,559
Maintenance and repairs	544,397	132,672
Charitable drug program	289,833	321,155
Office supplies and expenses	183,159	134,941
Amortization of capital assets	153,940	139,381
Utilities	152,423	164,735
Travel, meetings and conferences	83,559	68,994
Other occupancy costs	69,048	102,624
Bank charges and Interest	13,568	13,965
	9,901,682	9,742,995
Excess of revenue over expenditures before other items	38,575	139,253
Other items		
Change in accrued retirement obligations		
WRHA funding accrued	122,560	10,397
Liability for the year	(7,386)	(108,442)
Loss on disposal of capital assets	-	(6,213)
	115,174	(104,258)
Excess of revenue over expenditures for the year (Page 5)	$ 153,749	$ 34,995

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Statement of Changes in Net Assets

For the year ended March 31

	Operating Fund	Day Care Fund	Donation Fund	Capital Fund	Invested In Capital Assets (Note 10)	2007 Total	2006 Total
Net assets, beginning of year	$ 91,019	$ 7,542	$ 75,813	$ 361,220	$ 432,028	$ 967,622	$ 1,687,427
Excess of revenue over expenditures for the year (Page 4)	172,729	(6,603)	30,457	5,971	(48,805)	153,749	34,995
Transfer to Mount Carmel Clinic Foundation Inc.	-	-	-	-	-	-	(750,000)
Interfund transfers	(18,034)	(4,800)	22,332	(152,976)	148,678	(4,800)	(4,800)
Net assets, end of year (Page 3)	$ 245,714	$ (3,861)	$ 128,602	$ 214,215	$ 531,901	$ 1,116,571	$ 967,622

MOUNT CARMEL CLINIC
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	$ 153,749	$ 34,995
Amortization of capital assets	153,940	139,381
Amortization of deferred contributions	(105,135)	(92,131)
Loss on capital assets disposal	-	6,213
	202,554	88,458
Changes in non-cash working capital		
Accounts receivable	(24,714)	(43,880)
Due from WRHA	(177,500)	(74,543)
Inventories	55,673	(47,848)
Prepaid expenses	54	688
Accounts payable and accruals	395,573	40,315
Due to WRHA	16,382	(1,268)
Accrued vacation entitlements	(7,365)	(8,472)
Deferred revenue	128,977	4,006
	387,080	(131,002)
Retirement obligations receivable	(10,256)	-
Accrued retirement obligations	(55,848)	108,442
	523,530	65,898
Cash Flows from Financing Activities		
WRHA funding - capital	97,224	44,143
Bank loan payments	(3,304)	(4,621)
Loan advances	-	153,000
Transfer to Mount Carmel Clinic Foundation Inc.	-	(750,000)
Other deferred contributions received	170,205	60,300
Transfer to expenses of future periods	2,092	5,298
	266,217	(491,880)
Cash Flows from Investing Activities		
Purchase of capital assets (net)	(317,138)	(164,930)
(Increase) decrease in investments	(3,906)	1,130,688
Due from Mount Carmel Clinic Foundation Inc.	(5,810)	106,700
	(326,854)	1,072,458
Net increase in cash and cash equivalents	462,893	646,476
Cash and cash equivalents, beginning of year	844,656	198,180
Cash and cash equivalents, end of year	$ 1,307,549	$ 844,656

Supplementary Information		
Interest paid	$ 13,568	$ 6,379

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MOUNT CARMEL CLINIC
Summary of Significant Accounting Policies

March 31, 2007

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

Revenue Recognition

The Clinic follows the deferral method of accounting for contributions which include donations and government grants.

The Clinic is funded primarily through the Winnipeg Regional Health Authority (WRHA) by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed funding arrangements approved by WRHA with respect to the year ended March 31, 2007.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Restricted investment income is recognized as revenue in the year in which the related expenses are recognized. Unrestricted investment income is recognized as revenue when earned.

Inventories

Inventories are carried at the lower of cost and net realizable value determined by the first-in, first-out method.

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

For the 2005 and 2006 fiscal years, out-of-globe funding for these costs was not provided by Manitoba Health/WRHA.

Capital Assets	Purchased capital assets are recorded at cost. Contributed capital assets are recorded in the capital asset fund at fair value at the date of contribution. Capital assets funded completely by grants are recorded in the statement of financial position. Amortization, which is reported in the capital asset fund, is provided on a straight-line basis over the assets' estimated useful lives as indicated below:

Buildings	40 years
Furniture, fixtures and equipment	10 years
Computer equipment	5 years
Automobiles	7 years

Investments	Investments are recorded on an aggregate basis at the lower of cost and market value.
Contributed Services	Volunteers contributed a significant number of hours to assist Mount Carmel Clinic carrying out its service delivery activities. Because of the difficulty in determining their fair value, contributed services are not recognized in the financial statements.
Financial Instruments	The clinic's financial instruments consist of cash, investments, accounts receivable, due from (to) WRHA, accounts payable and long-term debt. Unless otherwise noted, it is management's opinion that the clinic is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

1. Entity Definition

Mount Carmel Clinic is a multi-disciplinary community health centre committed to providing comprehensive health care to the community. Mount Carmel Clinic is incorporated under the Mount Carmel Clinic Act, enacted by the Manitoba Legislature, as a not-for-profit organization and is a registered charity under the Income Tax Act.

2. Accounts Receivable

	2007	2006
Receivable from clinic services	$ 166,231	$ 134,877
Allowance for doubtful accounts	(450)	(1,087)
	165,781	133,790
Other receivables	50,406	57,683
	$ 216,187	$ 191,473

3. Due from WRHA

	2007	2006
2004/05 and 2005/06 pre-retirement funding	$ 112,304	$ -
2004/05 funding adjustment	38,083	47,827
2005/06 funding adjustment	58,037	98,673
2006/07 funding adjustment	51,971	-
2005/06 Day Care funding	-	93,045
2006/07 Day Care funding	156,650	-
	$ 417,045	$ 239,545

4. Capital Assets

	2007 Cost	2007 Accumulated Amortization	2006 Cost	2006 Accumulated Amortization
Landscaping	$ 109,502	$ -	$ 109,502	$ -
Buildings	3,604,183	1,967,603	3,123,269	1,869,103
Furniture, fixtures and equipment	280,891	130,742	205,870	95,831
Computer equipment	54,814	42,959	51,530	31,995
Automobiles	66,952	28,695	66,952	19,130
Construction-in-progress	333,460	-	575,541	-
	$ 4,449,802	$ 2,169,999	$ 4,132,664	$ 2,016,059
Cost less accumulated amortization		$ 2,279,803		$ 2,116,605

5. Due to WRHA

	2007	2006
Other	$ 16,472	$ 90

6. Deferred Revenue

	2007	2006
Operating Fund		
Day Care Subsidy Advance	$ 15,510	$ 15,510
Day Care Grant	11,836	44,689
Dental	46,000	46,000
Fetal Alcohol Program	47,469	57,121
Other	35,092	29,198
Parenting Student Program	11,978	336
Primary Health	42,347	23,651
FACT Coalition	59,848	185
Safe Corridors Project	21,836	13,565
	291,916	230,255
Donation Fund		
Sage House	20,326	17,837
Mount Carmel Foundation	205,448	138,988
Child Day Care Centre	14,492	19,339
Other	35,299	32,085
	275,565	208,249
	$ 567,481	$ 438,504

7. Long-Term Debt

	2007	2006
Term loan - CIBC		
Monthly principal and interest payments of $1;000, interest at prime.	$ 145,075	$ 148,379
Current portion of long-term debt	3,388	3,561
	$ 141,687	$ 144,818

The loan and the Clinic's approved line of credit are secured by a general assignment of the Clinic's assets.

Principal payments due in the next four years are as follows:

2008	$ 3,388
2009	3,597
2010	3,818
2011	134,272

8. Deferred Contributions

Expenses of future periods

Deferred contributions related to expenses of future periods represent unspent externally restricted funding.

	2007	2006
Balance, beginning of year	$ 17,098	$ 7,000
Add amounts during year	9,000	5,298
Less amounts used during year	(6,908)	-
Transfer from Day Care Fund	4,800	4,800
Balance, end of year	$ 23,990	$ 17,098

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of donations, grants received and funding of approved borrowings for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital asset purchased with the donation, grant or approved borrowing.

	2007	2006
Balance, beginning of year	$ 1,559,201	$ 1,524,372
Additional contributions received	267,430	104,443
Transferred from deferred revenue	-	58,512
Less amounts amortized to revenue	(105,135)	(92,131)
Less transferred to DSM	-	(35,995)
Balance, end of year	$ 1,721,496	$ 1,559,201

9. Operating Line of Credit

The organization has an operating line of credit for $125,000 which bears interest at the bank's prime rate. The balance in the line of credit at year end was $NIL (2006 - $NIL).

10. Investment in Capital Assets

A. Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	$ **2,279,803**	$ 2,116,605
Less amounts financed by		
Deferred contributions	**1,721,496**	1,559,201
Loan payable	**145,075**	148,379
Advances from other funds (net of cash on deposit)	**(118,669)**	(23,003)
	$ **531,901**	$ 432,028

B. Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of revenues over expenditures		
Amortization of deferred contributions related to capital assets	$ **105,135**	$ 92,131
Amortization of capital assets	**(153,940)**	(139,381)
Loss on disposal of capital assets	**-**	(6,213)
Other items (net)	**-**	1,500
	$ **(48,805)**	$ (51,963)
Net changes in investment in capital assets		
Purchase of capital assets	$ **317,138**	$ 164,930
Amounts funded by		
Deferred contributions	**(267,430)**	(162,955)
Advances to (from) other funds	**95,666**	152,719
Loan advances	**-**	(153,000)
Repayment of loan	**3,304**	4,621
	$ **148,678**	$ 6,315

11. Revenue from the WRHA

	2007	2006
Revenue as per WRHA final funding document (March 31, 2007 EFT)	$ 5,916,793	$ 5,728,576
Add:		
Midwifery	30,371	29,903
Reserve for major repairs	6,644	3,702
Wound clinic security	20,119	20,924
Out of Globe Medical remuneration	2,566	58,037
MMA agreement	-	16,462
Diabetes program funding	25,634	-
Wage standardization	34,216	-
TERF	6,090	-
	125,640	129,028
Total funding approved by WRHA	6,042,433	5,857,604
Add:		
Day Care operations	198,554	83,045
Parenting student	-	4,500
Families first	-	34,000
	198,554	121,545
Deduct:		
Reserve for major repairs	(7,000)	(7,000)
Deferred revenue - insurance deductible	(1,000)	(1,000)
	(8,000)	(8,000)
Revenue from WRHA	$ 6,232,987	$ 5,971,149

12. Commitments and Contingencies

A) Subsequent to year end the Clinic entered into a construction contract in the approximate amount of $750,000. Construction commenced in April 2007.

B) The Clinic is a party to an agreement to lease equipment for a 60 month period commencing December 1, 2005. At March 31, 2007, minimum annual lease payments under this lease are $9,030.

C) The nature of the Clinic's activities is such that there is usually litigation pending or in prospect at any time. With respect to claims at March 31, 2007, management believes the Clinic has valid defences and appropriate insurance coverages in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Clinic's financial position.

D) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

The Clinic is a named insured under the WRHA policy with HIROC.

13. Pension Plan

Substantially all of the employees of the Clinic are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last eleven years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the 6.40% of salary, 8.00% for salaries greater than $41,100, contributed by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the plan as at December 31, 2005 indicates the plan is in deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the plan made during the year by the Clinic on behalf of its employees amounted to $285,315 (2006 - $285,915) and are included in the statement of operations.

14. Economic Dependence

The volume of financial activity undertaken by the Clinic with its main funding bodies is of sufficient magnitude that the discontinuance of that funding would endanger the ability of the Clinic to continue as a going concern.

15. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations was capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and has been recorded as a receivable on the statement of financial position in the amount of $387,859. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. This has resulted in an increase to receivables and revenues in the amount of $10,256 for the 2007 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, the outstanding receivable as at March 31, 2004, which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the statement of operations following the "deficiency of revenue over expenditures before other items" balance adjusted for WRHA funding commitments to the Home. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

Auditor's Report

To the Board of Directors of
Nine Circles Community Health Centre, Inc.

We have audited the statement of financial position of Nine Circles Community Health Centre, Inc. ("the Centre") as at March 31, 2007, the statements of operations, and the statement of changes in surplus for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations the Centre derives part of its revenue from the general public in the form of donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the centre and we were not able to determine whether any adjustments might be necessary to donation revenue, excess (deficiency) of revenues over expenses, assets and deferred contribution balances.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of revenue from donations referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian Generally Accepted Accounting Principles.

August 18, 2007
Winnipeg, Manitoba
Bokhaut & Company
Chartered Accountant Inc.

Nine Circles Health Centre, Inc.

Statement of Financial Position

As at March 31, 2007

ASSETS	**2007** **$**	**2006** **$**
Current Assets		
Cash and short term investments (Note 1)	777,086	518,226
Accounts receivable	141,495	71,665
Vacation benefits receivable (Note 2)	78,661	78,661
Prepaid expenses	4,636	3,598
	1,001,878	672,150
Deferred benefit entitlement (Note 2)	44,565	44,565
Capital Assets (Note 3)	60,666	35,744
TOTAL ASSETS	**1,107,109**	**752,459**
LIABILITIES AND SURPLUS		
Current Liabilities		
Accounts payable and accrued liabilities	169,597	129,569
Vacation benefits payable (Note 2)	101,456	83,699
	271,053	213,268
Deferred benefit entitlement (Note 2)	82,570	69,800
Deferred contributions (Note 5)	313,261	248,476
Deferred contributions related to capital assets (Note 5)	61,897	34,930
Restricted contributions	130,262	-
Provision for repayment to WRHA (Note 4)	106,576	27,470
Surplus (unrestricted)	141,490	158,515
TOTAL LIABILITIES AND SURPLUS	**1,107,109**	**752,459**

Approved on behalf of the Board of Directors

Michelyn Wood Director

Director

The accompanying notes to the financial statements and summary of significant accounting policies are an integral part of this statement.

Nine Circles Community Health Centre, Inc.

Statement of Operations

For the year ended March 31, 2007

Revenue	**2007** **$**	**2006** **$**
WRHA - General Operations	2,192,739	1,965,505
A.C.A.P.	297,788	281,656
A.C.A.P. PHA Caucus	38,002	25,000
Grants	9,254	69,299
Amortization of deferred contributions-ancillary operations (Note 5)	115,280	42,688
Amortization of deferred contributions-regular operations (Note 5)	20,978	17,661
Federal Government	-	7,763
Interest	4,035	3,405
Other	124,007	-
	2,802,084	**2,412,977**
Expenses		
Administration	345,623	215,183
Health Prevention and Community Development	684,862	570,465
Ancillary Operations	115,280	42,688
Primary Care	1,323,516	1,375,784
Functional Services	230,365	182,319
PHA Caucus	52,413	25,000
	2,752,059	**2,411,439**
Excess of revenue over expenses (expenses over revenues)	**50,025**	**1,538**

The accompanying notes to the financial statements and summary of significant accounting policies are an integral part of this statement.

Nine Circles Community Health Centre, Inc.

Statement of Changes in Surplus

For the year ended March 31, 2007

	2007 $	2006 $
Balance, beginning of year	158,515	100,664
Year-end adjustments WRHA (Note 4)	(15,754)	86,609
Amortization of capital assets	(1,271)	(4,611)
Transfer to operating	-	(24,147)
Balance, end of year	**141,490**	**158,515**

The accompanying notes to the financial statements and summary of significant accounting policies are an integral part of this statement.

Nine Circles Community Health Centre, Inc.

Summary Of Significant Accounting Policies

For The Year Ended March 31, 2007

Purpose of organization

Nine Circles Community Health Centre, Inc. ("the Centre"), a non-profit organization incorporated without share capital under the laws of Manitoba, is a local community health centre operating programs and performing services designed to meet specific community needs. The clinic is a registered charity under the Income Tax Act (Canada) and is, therefore, exempt from income taxes.

Revenue recognition

The Centre follows the deferral method of accounting for contributions, which include donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services

In the normal course of business, the Centre receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Deferred Benefit Entitlements

Effective December 22, 2003, the Centre developed a pre-retirement leave policy to provide consistency for all employees of the Centre in accordance with the Collective Agreement. Based on continuance of funding bodies policies to reimburse facilities for pre-retirement leave, the Employer agrees to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. All non-unionized employees shall receive pre-retirement leave as follows:

i) Full-time employees retiring in accordance with the provisions of the facility group pensions plan, whether or not enrolled in the pension plan, shall be paid pre-retirement leave on the basis of four (4) days per year of employment (seniority).

ii) Calculation of pre-retirement leave entitlement shall begin from the date of the employee's last commencing employment at the Facility and shall be based on the employee's total seniority on the date of retirement.

iii) Part-time employees retiring in accordance with the provisions of the facility's group pension plan, whether or not enrolled in the pension plan shall be granted paid pre-retirement leave as specified above on a pro-rata basis. Calculation will be based on the following formula:

$$\frac{\text{Average annual hours actually worked from last date of employment}}{\text{Annual full-time hours}} \times \text{Entitlement of a full time employee}$$

iv) Payment shall, at the option of the employee, be made in a lump sum or as a continuation of salary until the scheduled retirement date. The retirement date shall be the last day worked in cases where an employee chooses lump sum payments.

v) For those non-unionized employees who transfer from another Health Care Facility in the Province of Manitoba, with no recognized lapse of services and for whom no pre-retirement leave has already been paid, the prior service shall be recognized for calculation purposes of retirement leave.

Nine Circles Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2007

1. Cash and Short Term Investments

Cash and short term investments are stated at cost and consist of the following:

	2007 $	2006 $
Regular Operations	176,231	137,599
Emergency assistance fund	4,621	2,699
Donation fund	77,923	72,561
PHA Caucus	1,018	367
Short term investments	387,031	305,000
Restricted fund investment	130,262	
	777,086	518,226

2. Vacation Benefits and Deferred Benefit Entitlements

These accounts are recorded in accordance with policies consistent with those advocated and followed by WRHA.

The amount of funding which will be provided by Manitoba Health for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, and has been recorded as a receivable on the Statement of Financial Position.

Manitoba Health has indicated that it will repay this receivable over a 25 year period commencing in 2006/2007.

Any liability in excess of the March 31, 2004 amount will be reflected as a current year expense on the Statement of Operations.

The amount of the receivable is being recorded on a non-discounted basis. The fair value of the receivable on a discounted basis would be significantly less than the carrying value, and the difference could be materially influenced by the effective discount rate realized.

3. Capital Assets

	Cost	Accumulated Amortization	2007 Net	2006 Net
Equipment	52,037	41,621	10,416	8,642
Computer Software	34,311	34,311	0	-
Computer	55,979	53,460	2,519	1,271
Leaseholds	79,470	31,739	47,731	25,831
	221,797	161,131	60,666	35,744

4. Provision For Repayment To WRHA

Nine Circles Community Health Centre, Inc. receives two types of funding from WRHA: "Out of Globe" funding and "In Globe" funding. All of the operating surplus related to "Out of Globe" funding arrangements is repayable to WRHA. The amount of operating surplus which is greater that 2% of budget related to "In Globe" funding arrangements for the year are repayable to WRHA.

The definition of 'operating surplus' in the funding agreement is complex. Therefore, historically, it has not been possible to calculate, with certainty, the amount of repayment that would ultimately be requested by WRHA.

Therefore, Nine Circles Community Health Centre, Inc. has adopted the policy of recording all of the operating surpluses from both the "In Globe" and "Out of Globe" funding and reporting this cumulative amount on the Statement of Financial Position as "Provision for Repayment to WRHA".

When WRHA reviews the financial statements for these years, and confirms the amount that is repayable under these funding arrangements, the difference between the amount confirmed and the amount that has been accrued and recorded in the Provision for Repayment to WRHA account will be calculated. The Provision for Repayment to WRHA account and the Surplus (unrestricted), both on the Statement of Financial Position, will be adjusted by this figure.

WRHA has not confirmed the amount of repayment that it will request with respect to the years ending March 31, 2005, March 31, 2006, and March 31, 2007. WRHA has indicated that Nine Circles Community Health Centre will be allowed to carry forward $10,000 of excess revenue over expenses from 2007 to next fiscal year.

	2007 **$**	**2006** **$**
Balance, beginning of year	27,470	112,541
Redistribution of deferred contribution	23,327	-
Excess of revenues over expenses	50,025	1,538
Year-end adjustments WRHA	15,754	(86,609)
WRHA approved carryover to 2007/2008	(10,000)	-
Balance, end of year	**106,576**	**27,470**

5. Deferred Contributions

Deferred contributions represent restricted funding received from various parties for future expenses.

	2007 Other	2006 Other	2007 Related to Capital Assets	2006 Related to Capital Assets
Beginning balance	248,476	184,844	35,743	28,117
Donations received during the year	231,051	137,270	45,862	24,474
Transfer to surplus	(50,986)	(5,950)	-	-
	(115,280)			
Amount amortized to revenue-ancillary operations	-	(67,688)	-	-
Amount amortized to revenue-regular operations	-	-	(19,708)	(17,661)
	313,261	**248,476**	**61,897**	**34,930**

Balance of other deferred contributions:	**2007**	**2006**
Unrestricted donations	54,351	65,229
Direct Client Service	46,224	35,898
Direct Client Services - PHA	758	2,105
Direct Client Services - Foodbank	371	(5,870)
Community Development and Prevention	21,306	20,912
Research and Evaluation	2,435	-
Professional Development	14,858	7,500
Deferred Provincial Grant	50,000	50,000
Deferred Manitoba Health - HIV Strategy	-	10,000
Deferred Grants	122,958	62,702
	313,261	**248,476**

6. Lease Commitments

The Centre leases a premises 705 Broadway under an operating lease that expires June 30, 2009.

The Centre also leases other various office equipment.

Minimum lease payments over the next five years are as follows:

2008	184,680
2009	49,905
2010	4,980
2011	4,980
2012	4,980

7. Statement of Cash Flows

A statement of cash flows has not been presented since the sources and uses of cash are readily apparent from the information included in the financial statements.

8. Contingencies

A) On July 1, 1987, a group of health care organizations ("Subscribers") formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a reciprocal pursuant to provincial insurance act, which permit person's reciprocal contracts of the indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were subscriber. No such assessments have been made to March 31, 2007.

B) The Centre is subject to individual legal actions arising in the normal course of business. It is not expected that these legal actions will have a material adverse effect on the financial position of the Centre.

BOKHAUT & COMPANY
CHARTERED ACCOUNTANT INC

AUDITOR'S REPORT

To the Board of Directors of
Nor' West Co-op Community Health Centre, Inc.,

We have audited the statement of financial position of Nor'West Co-op Community Health Centre, Inc. (the Co-operative) as at March 31, 2007 and the statements of operations and changes in surplus for the year then ended. These financial statements are the responsibility of the Co-operative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Co-operative as at March 31, 2007 and the results of its operations and changes in surplus for the year then ended in accordance with Canadian generally accepted accounting principles.

June 11, 2007
Winnipeg, Manitoba
Bokhaut & Company
Chartered Accountant Inc.

SUITE 708-386 BROADWAY·WINNIPEG, MANITOBA R3C 3R6•PH. (204) 947-1962·
TOLL FREE. (1-877) 947-1962·FAX. (204) 942-6061

Nor'West Co-op Community Health Centre, Inc.

Statement of Financial Position

As at March 31, 2007

	2007	2006
ASSETS		
Cash and term deposits	864,796	856,468
Accounts receivable (Note 4)	196,532	55,456
Prepaid expenses	1,880	1,886
Vacation entitlement receivable	109,217	101,103
	1,172,425	1,014,913
CAPITAL ASSETS (Note 5)	41,198	47,614
TOTAL ASSETS	**1,213,623**	**1,062,527**
LIABILITIES		
Accounts payable and accrued liabilities (Note 6)	127,643	120,471
Vacation entitlement payable	116,924	106,002
Deferred revenue (Note 8)	84,294	105,349
	328,861	331,822
DEFERRED CONTRIBUTIONS (Note 9)	39,155	43,815
PRE-RETIREMENT LEAVE BENEFIT OBLIGATION (Note 11)	104,881	97,014
TOTAL LIABILITIES	**472,896**	**472,651**
FUND BALANCES		
Membership fees	2,135	2,135
Surplus		
Invested in capital assets	2,032	3,788
Internally restricted	103,500	103,500
Restricted for FAS Program	80,779	78,519
Restricted for Family Voilence Couns. Program	73,359	58,997
Restricted for Community Development	8,513	8,513
Restricted for IWCS Program	95,171	74,271
Surplus subject to audit	76,865	7,487
Unrestricted	298,372	252,666
TOTAL FUND BALANCES	**740,726**	**589,876**
TOTAL LIABILITIES AND FUND BALANCES	**1,213,623**	**1,062,527**

Approved on behalf of the Board:

Chairperson

The accompanying notes to the financial statements are an integral part of these financial statements.

Nor'West Co-op Community Health Centre, Inc.

Statement of Changes in Surplus

For the year ended March 31, 2007

HEALTH CENTRE	Membership	Invested in Capital assets	Internally Restricted	Restricted FAS Program	Restricted Family Violence	Restricted Comm. Develop	Restricted IWCS Program	Surplus subject to WRHA audit	Unrestricted	**2007**	**2006**
Balance beginning of year	1,965	3,788	103,500	78,519	58,997	8,513	74,271	7,487	192,473	529,513	565,584
Membership	-	-	-	-	-	-	-	-	-	-	3
Pre-retirement leave adjustment (Note 11)	-	-	-	-	-	-	-	-	-	-	(95,092)
Year End Assessments-01/02, 02/03, 03/04 Adjustments	-	-	-	-	-	-	-	-	-	-	(6,071)
Excess (deficiency) of revenues over expenses	-	(1,756)	-	2,260	14,362	0	20,900	69,378	38,747	143,892	65,089
Balance end of year	1,965	2,032	103,500	80,779	73,359	8,513	95,171	76,865	231,220	673,405	529,513
EARLY LEARNING CHILD CARE CENTRE											
Balance, beginning of year	170	-	-	-	-	-	-	-	60,193	60,363	45,045
Excess (deficiency) of revenues over expenses	-	-	-	-	-	-	-	-	6,959	6,959	17,240
	170	-	-	-	-	-	-	-	67,152	67,322	62,285
Pre-retirement leave adjustment (Note 11)	-	-	-	-	-	-	-	-	-	-	(1,922)
Balance, end of year	170	-	-	-	-	-	-	-	67,152	67,322	60,363
Total Surplus (Deficit), end of year	2,135	2,032	103,500	80,779	73,359	8,513	95,171	76,865	298,372	740,727	589,876

The accompanying notes to the financial statements are an integral part of these financial statements.

Nor'West Co-op Community Health Centre, Inc.

Statement of Operations

For the year ended March 31, 2007

	Health Centre (Schedule 1)	Early Learning and Child Care Centre (Schedule 2)	2007	2006
Revenue				
Winnipeg Regional Health Authority	1,142,185	-	1,142,185	1,034,592
Family Services and Housing	425,600	-	425,600	392,600
Healthy Child Manitoba	336,878	-	336,878	332,546
Winnipeg Foundation	165,194	-	165,194	199,162
United Way	148,446	-	148,446	104,600
Child care fees	-	140,447	140,447	144,033
Maintenance fees	-	101,629	101,629	89,304
Manitoba Housing Authority	27,310	-	27,310	13,655
Manitoba Justice	18,825	-	18,825	24,000
Province of Manitoba	-	20,671	20,671	11,971
Manitoba Law Foundation	12,393	-	12,393	20,000
Manitoba Community Services Council Inc.	11,500	-	11,500	-
Community Connections/Urban Green Team	10,066	-	10,066	14,207
Investors Group	10,000	-	10,000	12,000
Manitoba Arts Council	9,228	-	9,228	2,950
Manitoba Health	8,980	-	8,980	5,980
Manitoba Labour and Immegration	8,476	-	8,476	-
Human Resource Development Canada	7,122	-	7,122	-
Red River Co-op	5,328	-	5,328	-
Success Skills Centre	2,178	-	2,178	-
Bank Campaign Contribution	-	-	-	10,000
Other	32,355	12,740	45,095	34,015
Interest Income	30,363	1,863	32,226	17,979
Amortization of deferred contributions (Note 9)	13,470	-	13,470	13,459
Deferred revenue (Note 8)	(84,293)	-	(84,293)	(105,349)
	2,341,606	**277,350**	**2,618,956**	**2,371,704**
Expenses				
Accounting and computer fees	18,145	-	18,145	18,854
Administrative	93,253	17,835	111,088	110,117
Amortization	15,226	-	15,226	13,476
Bad debt expenses	-	-	-	3,290
Information technologist	6,242	-	6,242	4,027
Medical supplies	18,918	-	18,918	13,646
Pre-retirement	6,892	975	7,867	-
Professional fees	5,805	-	5,805	5,247
Program expenses	89,813	19,800	109,613	68,166
Rent	90,819	21,865	112,684	106,493
Repairs and maintenance	35,517	-	35,517	17,913
Salaries and benefits	1,763,565	209,916	1,973,481	1,888,852
Service contracts	11,009	-	11,009	11,401
Staff training	18,919	-	18,919	11,827
Travel-staff	23,590	-	23,590	16,066
	2,197,714	**270,391**	**2,468,105**	**2,289,375**
Excess of revenue over expenses	**143,892**	**6,959**	**150,851**	**82,329**

The accompanying notes to the financial statements are an integral part of these financial statements

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2007

1. Purpose of Organization

Nor'West Co-op Community Health Centre, Inc. (the "Co-operative") works in partnership with the community to promote health and well being in its geographic neighborhoods and identified populations. The Co-operative was incorporated November 23, 1972 without share capital, presently operates under the provisions of the Co-operatives Act, Manitoba, and is a registered charity under the Income Tax Act. The Co-operative is to be carried on without monetary gain to its members and any profits are to be used in promoting its objectives.

2. Significant Accounting Policies

Fund accounting
The Health Centre fund reports the assets, liabilities, revenues, and expenses related to the Co-operative's primary care, health promotion, counseling and foot care outreach programs.

The Sunshine Day Nursery Fund reports the assets, liabilities, revenues, and expenses related to the Co-operative's daycare centre.

Revenue recognition
Restricted contributions related to general operations are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate program when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributed services
In the normal course of business, the Co-operative receives volunteer assistance in carrying out its service delivery activities. Because of the difficulty of determining their fair value, contributed volunteer services are not recognized in the financial statements

Donations in kind
Donated materials and services are recognized in the financial statements only when a fair value can be reasonably estimated and when the materials and services would be purchased in the normal course of operations if not donated.

Capital assets
Purchased capital assets are recorded at cost. Depreciation is provided on a straight-line basis over their estimated useful lives as follows:

Furniture, fixtures, and equipment	5 years
Computer software and hardware	3 years

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2007

2. Significant Accounting Policies (cont'd)

Vacation entitlement receivable/payable

These employee benefits are recorded in accordance with the policy determined by WRHA. This policy is to record the amount of the accrued liability for these costs on the Statement of Financial Position, and any change in the accrual on the Statement of Operations. The receivable on the Statement of Financial Position is to be capped at the balance as at March 31, 2004

Internally restricted surplus

In fiscal 1998, the Co-operative's board of directors internally restricted resources amounting to $63,500. In fiscal 2001, the Co-operative's board of directors internally restricted an additional $40,000. These amounts are to be used for purchasing a building for an additional Health Centre. These internally restricted amounts are not available for other purposes without approval of the board of directors.

Surplus subject to audit

On an annual basis, the Co-operative estimates and records adjustments to its surplus accounts for potential funding adjustments as a result of Winnipeg Regional Health Authority's periodic audits of the Co-operative's expenditures.

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of financial statements are the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Economic Dependence

The Co-operative is economically dependent on funding from the Winnipeg Regional Health Authority. If funding were discontinued, it would affect the Co-operative's ability to continue operations.

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2007

4. Accounts Receivable

	2007	2006
HEALTH CENTRE		
Goods and Services Tax receivable	10,451	10,941
Winnipeg Regional Health Authority	78,757	21,041
Grants Receivable	70,600	-
Manitoba Housing Authority grant receivable	-	13,655
Other	7,861	3,361
	167,669	48,998
EARLY LEARNING CHILD CARE CENTRE		
Goods and services tax receivable	1,179	790
Day care fees	15,532	5,667
Family Services & Housing - Daycare 1 time funding	6,750	-
Mount Carmel Clinic	5,402	-
Other	-	1
	28,863	6,458
Total	196,532	55,456

5. Capital Assets

	Cost	Accumulated Amortization	2007 Net	2006 Net
Furniture, fixtures and equipment	72,019	32,069	39,951	42,502
Computer software	16,646	16,646	-	-
Computer hardware	36,086	34,839	1,247	5,112
	124,751	83,554	41,198	47,614

6. Accounts Payable And Accrued Liabilities

	2007	2006
HEALTH CENTRE		
Winnipeg Regional Health Authority	12,030	6,002
Trade payables	49,885	40,021
Accrued audit fees	6,517	6,437
Salaries payable	39,442	47,860
Other	3,376	5,394
	111,250	105,714
EARLY LEARNING CHILD CARE CENTRE		
Accrued audit fees	1,974	1,552
Subsidy advances	8,680	8,680
Salaries payable	406	599
Other	5,333	3,926
	16,393	14,757
Total	127,643	120,471

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2007

6. Accounts Payable And Accrued Liabilities (continued)

The repayable subsidy advance is provided by the Province of Manitoba and is available for use as an operating line of credit.

7. Operating Leases

The Co-operative leases premises and a photocopy machine under operating lease agreements. The future minimum lease payments for the remaining terms of the operating leases are as follows:

2008	$94,651
2009	$92,836
2010	$80,026
2011	$52,704
2012	$52,704

8. Deferred Revenue

Deferred revenue relates to restricted operating funding for various programs received in the current period that is related to the subsequent period. Changes in the deferred contributions balance are as follows:

	2007	2006
Beginning balance	105,349	175,141
Less: amount recognized as revenue in the year	(80,600)	(170,211)
Add: amount received related to the following year	59,545	100,419
	84,294	105,349

Nor'West Co-op Community Health Centre, Inc.

Notes to Financial Statements

March 31, 2007

9. Deferred Contributions Related To Capital Assets

Contributions related to capital assets are deferred and are being recognized as revenue on the same basis as the depreciation on the related capital assets.

The changes for the year in the deferred contributions balance reported in the Health Centre are as follows:

	2007	2006
Beginning balance	43,815	16,434
Contributions	8,809	40,841
Amounts recognized in revenue	(13,470)	(13,460)
	39,154	43,815

10. Pension

The Co-operative has a defined contribution pension plan. During the year, the Co-operative made actual cash contributions of $94,047 (2006-$75,718). The pension contributions are included in employee benefits of the applicable programs in the statement of operations.

11. Pre-retirement Leave Benefit Obligation

Based on continuance of funding bodies policies to reimburse facilities for pre-retirement leave, the Co-operative has agreed to provide pre-retirement leave for all unionized employees as provided within the Collective Agreement. These benefits are based on years of employment for full-time employees and on a pro-rata basis for part-time employees. In order to receive pre-retirement benefits, a qualifying employee must apply for early retirement.

For 2006/2007, WRHA agreed to provide pre-retirement funding of 78.5% of benefits paid by the organization. Employees made no applications for early retirement during the year, thus no benefits were paid during the year (2006-$0).

During 2007, the benefit obligation earned by employees as at March 31, 2007 was actuarially determined to be $104,881. This has been reported as a liability on the Statement of Financial Position.

12. Statement of Cash Flow

A statement of cash flow has not been presented since the sources and uses of cash are readily apparent from the information included in the financial statements.

Schedule 1

Nor'West Co-op Community Health Centre, Inc.

Statement of Operations - Health Care

For the year ended March 31, 2007

	Primary Health Care Program	FAS Program	Foot Care Program	Community Development	Women's Counselling Programs (Schedule 3)	Family Programs (Schedule 4)	Capital assets	2007	2006
Revenue									
Bank Campaign Contribution	-	-	-	-	-	-	-	-	10,000
Community Connections/Urban Green	2,208	-	-	7,858	-	-	-	10,066	14,207
Family Services and Housing	-	-	-	-	425,600	-	-	425,600	392,600
Healthy Child Manitoba	-	217,700	-	-	-	119,178	-	336,878	332,546
Human Resource Development Canada	-	-	-	7,122	-	-	-	7,122	-
Investors Group	-	-	-	10,000	-	-	-	10,000	12,000
Interest Income	30,363	-	-	-	-	-	-	30,363	17,153
Manitoba Arts Council	-	-	-	9,228	-	-	-	9,228	2,950
Manitoba Community Services Council Inc.	-	-	-	11,500	-	-	-	11,500	-
Manitoba Health	-	-	-	6,000	-	2,980	-	8,980	5,980
Manitoba Housing Authority	-	-	-	27,310	-	-	-	27,310	13,655
Manitoba Justice	-	-	-	12,000	6,825	-	-	18,825	24,000
Manitoba Law Foundation	-	-	-	-	12,393	-	-	12,393	20,000
Manitoba Labour and Immegration	-	-	-	8,476	-	-	-	8,476	-
Other Payment Sources	8,384	-	-	13,603	6,720	3,648	-	32,355	31,131
Red River Co-op	-	-	-	5,328	-	-	-	5,328	-
Success Skills Centre	-	-	-	2,178	-	-	-	2,178	-
United Way	-	-	-	148,446	-	-	-	148,446	104,600
Winnipeg Foundation	-	-	-	15,000	150,194	-	-	165,194	194,714
Winnipeg Regional Health Authority	915,181	-	227,004	-	-	-	-	1,142,185	1,034,592
Amortization of deferred contributions	-	-	-	-	-	-	13,470	13,470	13,459
Deferred revenue	(8,265)	-	-	(35,487)	(25,792)	(14,749)	-	(84,293)	(105,349)
Total Revenue	947,872	217,700	227,004	248,562	575,940	111,057	13,470	2,341,606	2,118,238
Expenses									
Accounting and computer fees	6,616	621	2,631	602	3,500	4,175	-	18,145	17,566
Administrative	26,069	5,962	10,047	25,110	21,180	4,885	-	93,253	77,414
Amortization	-	-	-	-	-	-	15,226	15,226	9,153
Information Technologist	2,945	175	2,187	275	660	-	-	6,242	2,893
Medical supplies	8,135	-	10,783	-	-	-	-	18,918	11,240
Pre-Retirement	2,653	1,082	720	729	1,350	358		6,892	-
Professional fees	4,960	-	-	-	845	-	-	5,805	6,363
Program expenses	19,760	3,247	10,375	13,851	29,263	13,317	-	89,813	70,907
Rent	57,250	3,910	-	-	29,659	-	-	90,819	86,858
Repairs and maintenance	24,012	678	2,766	3,472	4,589	-	-	35,517	37,684
Salaries and benefits	685,202	188,920	157,024	201,290	443,997	87,132	-	1,763,565	1,564,990
Service contracts	10,380	-	-	-	629	-	-	11,009	14,132
Staff training	6,632	1,342	6,250	1,486	2,400	809	-	18,919	6,874
Travel-staff	4,213	9,503	5,140	1,747	2,606	381	-	23,590	23,461
Total Expenses	858,828	215,440	207,923	248,562	540,678	111,057	15,226	2,197,714	1,929,535
Surplus (Deficit) from operations	89,044	2,260	19,081	0	35,262	-	(1,756)	143,892	188,703

The accompanying notes to the financial statements are an integral part of these financial statements

Schedule 2

Nor'West Co-op Community Health Centre, Inc.

Statements of Operations - Early Learning and Child Care Centre

For the year ended March 31, 2007

	Day Care Program	Special Needs Staffing Grant	2007	2006
REVENUE				
Child care fees	140,447	-	140,447	144,033
Maintenance fees	101,629	-	101,629	89,304
Healthy Child Manitoba	-	-	-	-
Province of Manitoba	6,750	13,921	20,671	11,971
Winnipeg Foundation	-	-	-	4,448
Other Payment Sources	12,740	-	12,740	2,884
Interest income	1,863	-	1,863	826
Deferred Revenue	-	-	-	-
	263,429	13,921	277,350	253,466
EXPENSES				
Administrative	17,835	-	17,835	15,146
Bad debt expenses	-	-	-	3,290
Program expenses	19,800	-	19,800	7,414
Rent	21,865	-	21,865	16,452
Salaries and benefits	196,970	13,921	210,891	193,924
Total expenses	256,470	13,921	270,391	236,226
Excess of revenue over expenses	**6,959**	-	**6,959**	**17,240**

The accompanying notes to the financial statements are an integral part of these financial statements

Schedule 3

Nor'West Co-op Community Health Centre, Inc.

Statements of Operations - Women's Counselling Programs

For the year ended March 31, 2007

	Family Violence Program	Immigrant Women's Counselling	Women's Place	2007	2006
REVENUE					
Family Services and Housing	64,500	320,300	40,800	425,600	390,600
Winnipeg Foundation	-	-	150,194	150,194	122,004
Manitoba Justice	-	-	6,825	6,825	12,000
Manitoba Law Foundation	-	12,393	-	12,393	20,000
Other Payment Sources	-	6,130	590	6,720	6,524
Deferred Revenue	-	-	(25,792)	(25,792)	(46,558)
Total Revenue	64,500	338,823	172,617	575,940	504,570
EXPENSES					
Accounting and computer fees	500	3,000	-	3,500	5,606
Administrative	1,135	14,010	6,035	21,180	25,500
Information Technologist	200	380	80	660	1,282
Pre-Retirement Expenses	350	610	390	1,350	-
Professional fees	-	845	-	845	862
Program Expenses	1,268	12,930	15,065	29,263	19,198
Rent	-	14,835	14,824	29,659	27,242
Repairs and maintenance	-	3,489	1,100	4,589	1,985
Salaries and benefits	43,167	264,755	136,075	443,997	404,310
Service contracts	-	628	-	628	629
Staff training	-	1,500	900	2,400	1,910
Travel-staff	43	940	1,623	2,606	2,342
Total Expenses	46,663	317,923	176,092	540,678	490,866
Surplus/Deficit	**17,837**	**20,900**	**(3,475)**	**35,262**	**13,704**

The accompanying notes to the financial statements are an integral part of these financial statements

Schedule 4

Nor'West Co-op Community Health Centre, Inc.

Statements of Operations - Family Programs

For the year ended March 31, 2007

	Student Support Program (Parent Child Coalition)	CRAFT Program	2007	2006
REVENUE				
Healthy Child Manitoba	117,426	1,752	119,178	118,846
Manitoba Health	2,980	-	2,980	2,980
Other Payment Sources	3,648	-	3,648	450
Deferred Revenue	(13,331)	(1,418)	(14,749)	(22,158)
Total Revenue	110,723	334	111,057	100,118
EXPENSES				
Accounting and computer fees	4,175	-	4,175	4,000
Administrative	4,885	-	4,885	9,565
Pre-Retirement Expenses	358	-	358	-
Program Expenses	12,983	334	13,317	5,050
Salaries and benefits	87,132	-	87,132	80,848
Staff training	809	-	809	430
Travel-staff	381	-	381	225
Total Expenses	110,723	334	111,057	100,118
Surplus/Deficit	-	-	-	-

The accompanying notes to the financial statements are an integral part of these financial statements

BDO
BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Auditors' Report

To the Board of Directors of
ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC. GOLDEN LINKS LODGE

We have audited the statement of financial position of **ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC. GOLDEN LINKS LODGE** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 17, 2007

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Statement of Financial Position

	2007	2006
Assets		
Current Assets		
Cash	$ **146,001**	$ 331,075
Short-term investments (Note 1)	**400,000**	350,000
Accounts receivable	**107,383**	208,433
Employee benefits recoverable (Note 2)	**230,242**	230,242
Inventory - supplies on hand	**7,071**	6,363
Prepaid expenses	**16,547**	6,132
	907,244	1,132,245
Deferred benefit entitlements (Note 2)	**357,416**	357,380
Capital assets (Note 3)	**2,285,613**	2,372,061
	$ **3,550,273**	$ 3,861,686
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ **197,753**	$ 322,120
Due to Winnipeg Regional Health Authority (Note 4)	**118,318**	362,683
Accrued vacation entitlements (Note 2)	**255,575**	241,130
Trust liabilities	**13,606**	12,664
	585,252	938,597
Pre-retirement entitlement (Note 2)	**324,679**	324,643
Deferred contributions		
Externally restricted (Schedule 1)	**66,768**	78,682
Capital assets (Schedule 2)	**2,219,594**	2,304,311
Donations (Schedule 3)	**4,366**	11,763
Reserve for insurance deductible (Schedule 4)	**5,153**	4,169
	2,295,881	2,398,925
Total liabilities and deferred contributions	**3,205,812**	3,662,165
Contingencies (Note 7)	**-**	-
Net assets, unrestricted	**344,461**	199,521
	$ **3,550,273**	$ 3,861,686

Approved on behalf of the Board:

Mary Knight Chairperson

Treasurer

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Winnipeg Regional Health Authority (Note 6)	$ **3,162,764**	$ 2,982,367
Residential charges	**1,464,688**	1,430,393
Amortization of deferred contributions related to capital assets	**112,410**	99,338
Mortgage interest subsidy	**56,045**	59,607
Adult day care program (Schedule 5)	**61,817**	58,527
Interest earned	**13,272**	14,167
Recoveries and offset income	**18,849**	16,495
Donations and other	**37,501**	22,497
	4,927,346	4,683,391
Expenditures		
Nursing personal care	**2,633,381**	2,614,981
Food services	**595,090**	593,177
General and administrative	**341,258**	314,549
Laundry and linen	**123,512**	122,109
Plant operation	**195,644**	213,621
Housekeeping	**188,099**	188,289
Plant maintenance	**133,517**	135,895
Recreation	**138,629**	126,111
Amortization	**112,410**	99,338
Interest on long-term debt	**58,208**	59,607
In-service education	**81,784**	80,383
Adult day care program (Schedule 5)	**59,949**	60,662
Social work	**45,962**	46,744
Donations and other	**18,129**	9,174
	4,725,572	4,664,640
Excess of revenue over expenditures for the year before the undernoted revenue and (expenses)	**201,774**	18,751
Pre-retirement payouts	**(64,811)**	(35,321)
Pre-retirement future benefits revenue (expense) (Note 2)	**(36)**	85,623
Winnipeg Regional Health Authority prior year adjustments	**8,013**	-
Excess of revenue for the year	$ **144,940**	$ 69,053

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Excess of revenues for the year	$ 144,940	$ 69,053
Adjustments for		
Amortization of capital assets	112,410	99,338
Amortization of deferred contributions related to capital assets	(112,410)	(99,338)
	144,940	69,053
Changes in non-cash working capital balances		
Accounts receivable	101,050	(134,381)
Inventory - supplies on hand	(708)	2,831
Prepaid expenses	(10,415)	8,558
Deferred benefit entitlements	(36)	-
Accrued vacation entitlement	14,445	1,109
Pre-retirement entitlement	36	(85,623)
Accounts payable and accrued expenses	(124,367)	122,295
Due from Winnipeg Regional Health Authority	(244,365)	9,415
Trust liabilities	942	6,858
	(263,418)	(68,938)
	(118,478)	115
Cash Flows from Financing Activities		
Deferred contributions - externally restricted	(11,914)	20,140
Deferred contributions - capital assets	27,693	38,186
Deferred contributions - donations	(7,397)	(1,840)
Reserve for insurance deductible	984	984
	9,366	57,470
Cash Flows from Investing Activities		
Purchase of capital assets and construction, net	(25,962)	(39,917)
Decrease in short-term investments	(50,000)	27,500
	(75,962)	(12,417)
Increase (decrease) in cash and cash equivalents	(185,074)	45,168
Cash and cash equivalents, beginning of year	331,075	285,907
Cash and cash equivalents, end of year	$ 146,001	$ 331,075

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

March 31, 2007

Nature and Purpose of Organization

The Golden Links Lodge is a non-profit organization operating as a long-term care facility. The organization is a registered charity under the Income Tax Act and is therefore exempted from income taxes.

Financial Reporting

The financial statements only include the assets, liabilities, equity and operations of the Golden Links Lodge. The financial data of the Odd Fellows And Rebekahs Personal Care Homes Inc. are excluded since they are not required in assessing the financial operations of the Lodge.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Revenue Recognition

The organization follows the deferral method of accounting for contributions that includes donations and government grants. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions, which include residential changes, are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

The organization records on an annual basis, an estimate of the amount that may be recoverable from, or payable to Winnipeg Regional Health Authority (WRHA) relating to its excess of revenues or expenses in accordance with WHRA funding guidelines. WHRA funding adjustments are subject to WHRA audits. The differences, if any, from the initial estimates are reflected as an adjustment in the current year's operating income.

Contributed Services

In the normal course of business, the organization receives volunteer assistance in carrying out its service delivery activities. Volunteer services are not recognized in the financial statements.

Financial Instruments

The organization's financial instruments consist of accounts receivable,short-term investments,accounts payable and accrued liabilities, and amounts due to (from) Winnipeg Regional Health Authority. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Summary of Significant Accounting Policies

March 31, 2007

Use of Estimates	The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.
Employee Future Benefits	Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions. The cost of the organization's vacation benefits is accrued when the benefits are earned by the employee.
Inventory	Supplies on hand are stated at the lower of cost and replacement cost. Cost is generally determined on the first-in, first-out basis.
Capital Assets	Purchased capital assets are recorded at cost. Amortization based on the estimated useful life of the asset is calculated as follows:

Land Improvements	10 years, straight-line basis
Buildings	50 years, straight-line basis
Equipment	10 years, straight-line basis
Computers equipment	5 years, straight-line basis

1. Short-term Investments

	2007	2006
Manitoba Builder Bonds, 4.25%, matures June 15, 2008	$ **200,000**	$ 200,000
Manitoba Builder Bonds, 3.85%, matures June 15, 2006	**-**	150,000
Steinbach Credit Union Plan 24 Savings, 3.00%	**100,000**	-
CIBC GIC Investment, 3.35%, matures October 4, 2007	**100,000**	-
	$ **400,000**	$ 350,000

2. Future Employee Benefits Recoverable

Employee pre-retirement benefits are accrued as incurred as determined by actuarial valuation. The latest actuarial valuation of the pre-retirement value as of March 31, 2007 reports an obligation of $324,679 ($324,643 in 2006). Vacation benefits are accrued as employees earn the benefits.

Due to the nature of the benefits, the pre-retirement benefits recoverable and payable are classified as long term, whereas the vacation benefits recoverable and payable are classified as current.

The organization has been notified by the WRHA that the incremental pre-retirement liability for fiscal 2007 of $36 will be funded together with a portion of the incremental pre-retirement benefits liability for fiscal 2005 and 2006, which netted to zero for the organization.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing at March 31, 2004, adjusted for allocations from the WHRA in 2005, and has been recorded as a receivable on the statement of financial position. The Province of Manitoba has guaranteed to the WRHA, and through it to Golden Links Lodge, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount is reflected as a current year expense on the statement of operations following the "excess of revenue over expenditures before other items" balance. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

3. Capital Assets

			2007	2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land improvements	$ 217,027	$ 213,944	$ 3,083	$ 4,971
Buildings	3,379,488	1,457,526	1,921,962	1,999,815
Building addition Special Needs Unit	469,604	118,818	350,786	280,842
Equipment	794,669	784,887	9,782	84,429
Equipment Special Needs Unit	31,771	31,771	-	2,004
	$ 4,892,559	$ 2,606,946	$ 2,285,613	$ 2,372,061

4. Due (from) to Winnipeg Regional Health Authority Inc. (WRHA)

Any operating surplus related to Out of Globe funding arrangements or operating surpluses greater than 2% of budget related to In Globe funding arrangements for the year is repayable to the WRHA. Those surpluses that are retained by the organization are subject to review by the WRHA.

Conversely, any operating deficit related to Out of Globe funding arrangements is receivable from the WRHA and is subject to review by the WRHA. At that time, WRHA submits their final cost approvals that indicate the portion of the deficit that will be paid to the organization. In 1992, the Province of Manitoba implemented a no deficit recovery policy that stipulates that WRHA will not fund deficits related to In Globe funding arrangements. Any unapproved costs not paid by WRHA are absorbed by the organization.

Differences that may occur on final settlement of approved costs are charged directly to net assets or operations. Prior years surplus and deficit, settlement for which has not yet been adjusted is as follows:

	2007	2006
2001 fiscal year end	$ -	14,556
2002 fiscal year end	-	(2,873)
2003 fiscal year end	-	94,730
2004 fiscal year end	-	93,205
2005 fiscal year end	153,650	153,650
2006 fiscal year end	9,415	9,415
2007 fiscal year end	(44,747)	-
Balance, end of year	$ 118,318	362,683

5. Bank Indebtedness

The organization does not currently operate on a revolving line of credit.

6. Winnipeg Regional Health Authority Operating Income

		2007	2006
Budgeted Items	$	**3,051,765**	2,985,424
Current adjustments - Out of Globe		**110,999**	(3,057)
Balance, end of year	$	**3,162,764**	2,982,367

7. Contingencies

On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit persons reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba, Saskatchewan, and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

8. Land Lease

The land used by the organization is owned by the Grand Lodge of Manitoba, I.O.O.F. The organization has leased the land for a term of 50 years from March 1, 1980 without any leasing cost other than maintaining the property.

9. Pension Plans

Substantially, all the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") that is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

During the year, the organization contributed $168,513 ($161,122 in 2006) on behalf of its employees. The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going concern deficiency and a solvency deficiency. As a result, contribution rates were increased on July 1, 2006 to 6.6% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2% on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8% and 8.4%, respectively.

10. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Schedule 1 - Deferred Contributions - Externally Restricted

For the year ended March 31	2007	2006
Reserve for Major Repairs		
Balance, beginning of year	$ 47,903	$ 34,298
Current year funding	18,336	18,336
Current year expenditures	(17,957)	(4,731)
Balance, end of year	$ 48,282	$ 47,903
Equipment Replacements		
Balance, beginning of year	$ 30,779	$ 24,244
Current year funding	15,400	44,721
Current year expenditures	(27,693)	(38,186)
Balance, end of year	$ 18,486	$ 30,779
Total Deferred Contributions - Externally Restricted	$ 66,768	$ 78,682

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Schedule 2 - Deferred Contributions - Capital Assets

For the year ended March 31	2007	2006
Balance, beginning of year	**2,304,311**	2,365,463
Current year funding	**-**	-
Transfer from deferred contributions - equipment	**27,693**	38,186
Amortize to revenue	**(112,410)**	(99,338)
Balance, end of year	**$ 2,219,594**	$ 2,304,311

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Schedule 3 - Deferred Donations

For the year ended March 31	2007	2006
Balance, beginning of year	$ 11,763	$ 13,603
Current year donations	4,874	3,150
Current year expenditures	(12,271)	(4,990)
Balance, end of year	$ 4,366	$ 11,763

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Schedule 4 - Reserve for Insurance Deductible

For the year ended March 31		**2007**		2006
Balance, beginning of year	**$**	**4,169**	$	3,185
Current year funding		**984**		984
Balance, end of year	**$**	**5,153**	$	4,169

ODD FELLOWS AND REBEKAHS PERSONAL CARE HOME INC.
GOLDEN LINKS LODGE
Schedule 5 - Adult Day Care Program

For the year ended March 31	2007	2006
Revenues		
Winnipeg Regional Health Authority	$ 52,416	$ 50,352
Participants	9,401	8,175
	61,817	58,527
Expenditures		
Salaries and benefits	30,066	27,977
Transportation	16,989	18,050
Meals	6,467	6,989
Supplies	5,943	7,135
Health and education levy	484	511
	59,949	60,662
Excess of revenue (expenditures) for the year	$ 1,868	$ (2,135)

To the Board members of Park Manor Personal Care Home, Inc.:

We have audited the statement of financial position of Park Manor Personal Care Home, Inc. as at March 31, 2007 and the statement of operations and changes in net assets, including supporting schedules, for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 11, 2007

Chartered Accountant

Park Manor Personal Care Home, Inc.
Statement of Financial Position
As at March 31, 2007

	2007	*2006*
Assets		
Current		
Cash *(Note 3)*	**1,176,513**	1,052,277
Marketable securities *(Note 4)*	**1,332,366**	1,282,075
Accounts receivable *(Note 5)*	**863,143**	921,823
Prepaid expenses	**25,621**	41,946
	3,397,643	3,298,121
Capital assets *(Note 6)*	**1,838,229**	1,667,190
	5,235,872	4,965,311
Liabilities		
Current		
Accounts payable and accruals	**1,487,060**	1,565,654
Residents' trust payable	**9,343**	12,972
Current portion of long-term debt	**174,000**	130,600
	1,670,403	1,709,226
Long-term debt *(Note 7)*	**597,016**	563,689
Deferred contributions *(Note 8)*	**1,030,329**	864,097
	3,297,748	3,137,012
Net Assets		
Invested in capital assets	**59,709**	83,003
Unrestricted *(Note 10)*	**335,512**	334,267
	395,221	417,270
Restricted *(Note 9)*	**1,542,903**	1,411,029
	1,938,124	1,828,299
	5,235,872	4,965,311

Approved on behalf of the board

Director

Director

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home, Inc.

Statement of Operations

For the year ended March 31, 2007

	Operating Fund	*Adult Day Program*	*Capital Fund*	**2007**	2006
Revenues					
Residential charges	1,589,454	-	-	**1,589,454**	1,522,554
Winnipeg Regional Health Authority					
Operating	3,368,644	-	-	**3,368,644**	3,251,856
Bed grant	7,680	-	-	**7,680**	7,680
Interest on approved borrowing	35,520	-	-	**35,520**	27,792
Year end adjustment *(Note 14)*	(31,022)	-	-	**(31,022)**	(91,436)
Medical salaries	2,760	-	-	**2,760**	2,760
Supplemental funding	118,752	-	-	**118,752**	90,648
Accrued wage adjustment	101,077	-	-	**101,077**	236,155
Pre-retirement leave - future benefits *(Note 15)*	40,573	-	-	**40,573**	7,907
Pre-retirement leave - current benefits *(Note 15)*	10,089	-	-	**10,089**	-
Pre-retirement leave - prior years benefits *(Note 15)*	25,283	-	-	**25,283**	-
Investment income	681	-	-	**681**	344
Meal recoveries	58,287	-	-	**58,287**	56,777
Amortization of deferred operating contributions *(Note 8)*	1,500	-	-	**1,500**	-
Amortization of deferred capital contributions *(Note 8)*	-	-	113,419	**113,419**	101,827
Adult Day Program revenue *(Schedule 1)*	-	123,648	-	**123,648**	115,247
	5,329,278	123,648	113,419	**5,566,345**	5,330,111
Expenses					
Amortization	-	-	136,713	**136,713**	142,349
Dietary	179,877	-	-	**179,877**	175,442
Employee benefits	686,287	-	-	**686,287**	642,050
Employee future benefits - pre-retirement adjustment *(Note 15)*	40,573	-	-	**40,573**	53,236
Employee future benefits - vacation	15,845	-	-	**15,845**	(2,817
General expenses	83,812	-	-	**83,812**	81,869
Housekeeping	22,732	-	-	**22,732**	18,582
Interest on long-term debt	42,468	-	-	**42,468**	36,886
Laundry	11,446	-	-	**11,446**	10,783
Linen	6,307	-	-	**6,307**	27,269
Medical administration	2,750	-	-	**2,750**	2,750
Medical supplies	96,451	-	-	**96,451**	88,757
Physical plant	298,421	-	-	**298,421**	285,379
Pre-retirement leave	13,727	-	-	**13,727**	10,072
Salaries and wages	3,825,732	-	-	**3,825,732**	3,705,384
Therapeutic recreation	8,777	-	-	**8,777**	11,320
Adult Day Program expenses *(Schedule 1)*	-	116,476	-	**116,476**	112,485
	5,335,205	116,476	136,713	**5,588,394**	5,401,796
Excess (deficiency) of revenues over expenses	(5,927)	7,172	(23,294)	**(22,049)**	(71,685

The accompanying notes are an integral part of these financial statements

Park Manor Personal Care Home, Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2007

	Operating Fund *(Note 10)*	Adult Day Program *(Note 10)*	Invested in capital assets	2007 Total	2006 Total
Net assets, beginning of year	328,138	6,129	83,003	**417,270**	488,955
Excess (deficiency) of revenues over expenses	(5,927)	7,172	(23,294)	**(22,049)**	(71,685)
Net assets, end of year	322,211	13,301	59,709	**395,221**	417,270

1. Purpose of the organization

Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and the guidelines produced by Manitoba Health/Winnipeg Regional Health Authority, and include the following significant accounting policies:

Marketable securities

Marketable securities are valued at the lower of cost and market value.

Capital assets

Capital assets are initially recorded at cost. Amortization is recorded in the capital fund using the straight-line basis, at rates intended to amortize the value of capital assets over its estimated useful life. The annual rates are as follows:

	Method	Rate
Buildings	straight-line	20-40 years
Computer equipment	straight-line	5 years
Equipment	straight-line	10 years

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restricted contributions are deferred and matched with the related expense as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivable are stated after management's evaluation of collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Health/Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists of buildings, computer equipment and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007. Transitional provisions are complex and vary based on the type of financial instruments under consideration. Therefore, the Organization has not yet determined the effects of these new standards on its financial statements.

3. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions. Cash is in bank accounts which earned interest at 4.0% (2006 - 3.34%) at year-end. The Organization has a Line of Operating Credit to a maximum of $75,000. The operating line has interest charged annually at the Bank's Prime Rate and is secured by an overdraft lending agreement in the amount of $75,000 and the specific assignment of accounts receivable from Manitoba Health.

	2007	*2006*
Cash on hand	**1,113,841**	998,992
Restricted cash	**62,672**	53,285
	1,176,513	1,052,277

4. Marketable securities

	2007	*2006*
Money market mutual fund	**7,974**	7,733
Canadian Imperial Bank of Commerce GIC, earning interest at 4.35%, maturing June 2008	**250,000**	-
Manitoba Hydro bonds, earning interest at 5.50%, maturing June 2007	**175,000**	175,000
Manitoba Hydro bonds, earning interest at 4.45%, maturing June 2009	**200,000**	200,000
Term deposit, earning interest at 3.90%, maturing March 2010	**100,132**	100,132
NB bonds, earning interest at 4.5%, maturing December 2009	**199,260**	199,260
Farm Credit Canada bonds, earning interest at 5.5%, maturing June 2010	**200,000**	200,000
Farm Credit Canada bonds, earning interest at 6.00%, maturing September 2012	**200,000**	200,000
Manitoba Hydro bonds, earning interest at 6.00%, matured in the year	**-**	199,950
	1,332,366	1,282,075

Market value of portfolio is $1,272,873 (2006 - $1,280,873).

5. Accounts receivable

	2007	*2006*
Trade receivables	**46,829**	10,415
Goods and Service Tax receivable	**7,921**	8,663
Accrued interest receivable	**105,659**	130,789
Manitoba Health/Winnipeg Regional Health Authority	**702,734**	771,956
	863,143	921,823

6. Capital assets

	Opening Cost	Additions	Disposals	Closing Cost	Accumulated Amortization	*2007* Net book value	*2006* Net book value
Land	28,266	-	-	**28,266**	**-**	**28,266**	28,266
Buildings	3,018,777	283,238	-	**3,302,015**	**1,628,241**	**1,673,774**	1,497,073
Computer equipment	49,298	-	7,494	**41,804**	**40,748**	**1,056**	3,308
Equipment	559,502	1,091	-	**560,593**	**425,460**	**135,133**	138,543
	3,655,843	284,329	7,494	**3,932,678**	**2,094,449**	**1,838,229**	1,667,190

7. Long-term debt

	2007	*2006*
First mortgage payable in monthly instalments of $3,341 including interest at 5.88%, secured by land and building, due July 2017	**310,997**	332,360
Term loan payable in monthly instalments of $8,800 plus interest at prime less 0.5%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due September 2009	**256,329**	361,929
Term loan payable in monthly instalments of $3,920 plus interest at prime less 1.0%, secured by borrowing resolution, pledge of government funding and letter of comfort from Manitoba Health, due September 2012	**203,690**	-
	771,016	694,289
Less: current portion	**174,000**	130,600
	597,016	563,689

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2008	174,000
2009	175,300
2010	176,600
2011	125,300
2012	42,500

8. Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recongnized as revenue on the same basis as respective expenditures are made.

Changes for the year in the deferred contribution balance are as follows:

	Capital Fund	*Operating Fund*	*2007*	*2006*
Balance, beginning of year	860,702	3,395	**864,097**	817,361
Contributions received during the year				
Donations	20,019	-	**20,019**	-
Winnipeg Regional Health Authority				
- Principal repayment	158,328	-	**158,328**	125,760
- Equipment replacement	17,500	-	**17,500**	17,500
- Major repairs	4,296	-	**4,296**	4,296
- Mould remediation - lump sum funding	80,000	-	**80,000**	-
- Insurance deductible	-	1,008	**1,008**	1,007
Recognized as revenue during the year	(113,419)	(1,500)	**(114,919)**	(101,827)
Balance, end of year	1,027,426	2,903	**1,030,329**	864,097

9. Restricted net assets

Internally restricted net assets are comprised of:

	2007	*2006*
Special purpose reserve:		
Balance, beginning of year	**1,411,029**	1,250,237
Trust contributions	**13,510**	31,508
Private grants and donations	**55,606**	53,070
Interest income	**62,758**	76,214
Balance, end of year	**1,542,903**	1,411,029

These net assets are restriced in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discrection of the board of directors.

10. Unrestricted net assets

Unrestricted net assets are comprised of:

	2007	*2006*
Personal care operations	**366,635**	397,845
Pre-retirement leave actuarial adjustments	**(44,424)**	(69,707)
Adult Day Program	**13,301**	6,129
	335,512	334,267

11. Financial instruments

Credit concentration

Financial instruments that potentially subject the Personal Care Home to concentrations of credit risk consist primarily of trade accounts receivable as described in Note 5. Of the $863,143 (2006 - $921,823) of receivables, $702,734 (2006 - $771,956) is due from the Manitoba Health/Winnipeg Regional Health Authority.

12. Economic dependence

A significant portion of the personal care home's operating fund are received through grants from the Winnipeg Regional Health Authority, and its ability to continue viable operations is dependent upon maintaining this funding.

13. Statement of cash flows

A statement of change in cash flows has not been prepared because information about financing and investing activites and their effects on cash resources are readily apparent from the other financial information.

14. Year end adjustment - revenues

The year end adjustment in the revenues section of the Statement of Operations and Changes in Net assets represents the difference between the funding budget and actual for residential charges received from residents. This amount is guaranteed by Winnipeg Regional Health Authority.

15. Pre-retirement leave/vacation pay

Under guidelines produced by Manitoba Health/Winnipeg Regional Health Authority (WRHA), funding owed to the Organization related to vacation pay liability is recognized as accounts receivable in the amount of $232,434 as at March 31, 2004.

Under guidelines produced by WRHA, funding owed to the Organization related to pre-retirement future benefits is as follows:

	Future Liability	Accounts Receivable
2003-04	$303,367	$303,367
2004-05	$319,838	$303,367
2005-06	$373,074	$328,650
2006-07	$413,647	$369,223

16. Comparative figures

Certain of the prior year's comparative figures have been reclassified to conform with the current year's financial statement presentation.

Park Manor Personal Care Home, Inc.

Schedule 1 - Adult Day Program

For the year ended March 31, 2007

	2007	*2006*
Revenue		
Winnipeg Regional Health Authority - Operating	**110,258**	100,560
Participant fees	**13,390**	14,687
	123,648	115,247
Expenses		
Benefits	**9,839**	8,571
Health and education tax	**1,276**	1,217
Management fees	**1,040**	1,040
Meals	**9,788**	10,633
Salaries and wages	**62,528**	58,214
Supplies	**3,314**	2,908
Travel	**28,691**	29,902
	116,476	112,485
Excess of revenue over expenses	**7,172**	2,762

BDO

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
Comptables agréés et conseillers

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Winnipeg Manitoba Canada R3C 4L5
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Auditors' Report

To the Directors of
PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

We have audited the statement of financial position of the **PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Home as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 25, 2007

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Cash	$ -	$ 33,486
Restricted cash	98,294	97,674
Accounts receivable (Note 2)	23,057	37,019
Inventory	3,060	5,315
Prepaid expenses	4,986	6,441
Vacation entitlement receivable (Note 3)	121,948	118,927
	251,345	298,862
Pre-retirement entitlement receivable (Note 3)	118,866	83,241
Capital assets (Note 4)	1,068,123	1,313,134
	$ 1,438,334	$ 1,695,237
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness	$ 7,336	$ -
Accounts payable (Note 5)	221,477	279,758
Accrued vacation pay	127,567	101,336
	356,380	381,094
Accrued pre-retirement entitlement	118,866	80,220
Deferred contributions (Note 6)	1,086,804	1,331,674
	1,562,050	1,792,988
Net assets	(123,716)	(97,751)
	$ 1,438,334	$ 1,695,237

Approved on behalf of the Board:

Director

Director

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Statement of Changes in Net Assets

For the year ended March 31	2007			2006
	Invested in Capital Assets	Unrestricted	Total	Total
Net assets, beginning of year	$ 79,134	$ (176,885)	$ (97,751)	$ (31,311)
Deficiency of revenue over expenditures for the year	-	(25,965)	(25,965)	(66,440)
Net assets, end of year	$ 79,134	$ (202,850)	$ (123,716)	$ (97,751)

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Winnipeg Regional Health Authority	$ 2,263,469	$ 2,179,298
Residential charges	831,400	820,959
Other income	6,577	5,698
	3,101,446	3,005,955
Expenditures		
Drugs and medical supplies	54,231	64,759
Office and miscellaneous	58,243	60,976
Other supplies and expenses	40,845	39,607
Professional fees	27,932	27,881
Purchased services	340,284	342,634
Repairs and maintenance	6,954	15,917
Resident trust fees	5,208	5,233
Salaries and benefits	2,282,299	2,174,942
Service charges and fees	8,407	6,708
Shared building operation expenses (Note 8)	334,889	348,370
Telephone	3,621	3,938
Travel	123	596
	3,163,036	3,091,561
Deficiency of revenue over expenditures before amortization	(61,590)	(85,606)
Amortization		
Deferred contributions (Note 6)	257,520	257,520
Capital assets	(257,520)	(257,520)
	-	-
Deficiency of revenue over expenditures before other item	(61,590)	(85,606)
Other Item		
Accrued pre-retirement leave entitlement	35,625	19,166
Deficiency of revenue over expenditures for the year	$ (25,965)	$ (66,440)

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.

Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Deficiency of revenue over expenditures for the year	$ (25,965)	$ (66,440)
Amortization of capital assets	257,520	257,520
	231,555	191,080
Changes in non-cash working capital		
Accounts receivable	13,962	(15,554)
Vacation entitlement receivable	(38,646)	-
Inventory	2,255	(669)
Prepaid expenses	1,455	(3,669)
Accounts payable	(58,281)	73,386
Vacation entitlement payable	64,877	(11,171)
	217,177	233,403
Cash Flows from Financing Activities		
Deferred contributions	(244,870)	(450,522)
Cash Flows from Investing Activities		
Purchase of capital assets	(12,509)	-
Net decrease in cash and cash equivalents	(40,202)	(217,119)
Cash and cash equivalents, beginning of year	131,160	348,279
Cash and cash equivalents, end of year	$ 90,958	$ 131,160
Comprised of		
Cash	$ -	$ 33,486
Restricted cash	98,294	97,674
Bank indebtedness	(7,336)	-
	$ 90,958	$ 131,160

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations hereto, the Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by Winnipeg Regional Health Authority ("WRHA"). Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of the Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of the Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by the Home other than those set forth in the service purchase agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Any adjustments will be reflected in the year the final statement of recommended costs is received from WRHA.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Revenue from the residential services and marketed services is recognized when the goods are sold or the service is provided.

PEMBINA PLACE MENNONITE PERSONAL CARE HOME INC.
Summary of Significant Accounting Policies

March 31, 2007

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized based on long-term debt repayment funding.

Inventories

Inventories of stores are carried at the lower of cost and net realizable value determined on a first-in, first-out basis.

Employee Future Benefits

Pre-retirement entitlement, pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimated assumptions. Commencing with the 2004-2005 fiscal year, out of globe funding for these costs is not provided by Manitoba Health/ WRHA.

Financial Instruments

The organization's financial instruments consist of cash, accounts receivable and accounts payable. Unless otherwise noted, it is management's opinion that the Home is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Restricted Cash

Restricted cash balances represent cash segregated for use for replacement reserves in accordance with the CMHC operating agreement.

1. Purpose of the Organization

Pembina Place Mennonite Personal Care Home Inc. provides a 57 bed personal care service at 285 Pembina Highway, Winnipeg, Manitoba. The Home is a Mennonite organization that demonstrates Christian love by compassionately offering a continuum of wellness, housing and personal care services for older adults.

2. Accounts Receivable

	2007	2006
Receivable from residents	$ 2,779	$ 7,548
Receivable from Bethania Mennonite Personal Care Home, Inc.	-	435
GST rebate receivable	15,748	9,313
Receivable from Bethania Housing & Projects Inc.	-	235
Other	4,530	19,488
	$ 23,057	$ 37,019

3. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations has been capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and has been recorded as a receivable on the statement of financial position. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. This has resulted in an increase to recceivables and revenues in the amount of $38,646 for the 2007 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, this outstanding receivable which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as current year expenditures on the statement of operations following the "deficiency of revenue over expenditures before other items" balance. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

4. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Leasehold improvements	$ 2,477,195	$ 1,563,834	$ 2,477,195	$ 1,339,677
Furniture, fixtures and equipment	393,568	238,806	381,059	205,443
	$ 2,870,763	$ 1,802,640	$ 2,858,254	$ 1,545,120
Cost less accumulated amortization		$ 1,068,123		$ 1,313,134

Manitoba Health approved a $2,798,708 renovation and expansion construction project which increased the number of personal care beds at the Home from 22 to 57.

Amortization of capital assets for the year ended March 31, 2007 is $257,520 (2006 - $257,520).

5. Accounts Payable

	2007	2006
Trade accounts payable	$ 41,220	$ 33,016
Salaries and employee benefits payable	77,060	107,379
Winnipeg Regional Health Authority	95,964	129,558
Due to related parties	7,233	9,805
	$ 221,477	$ 279,758

6. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations at rates which match the amortization of the related capital assets purchased with grants.

Changes in the deferred contribution balance are as follows:

	2007	2006
Balance, beginning of year	**$ 1,234,000**	$ 1,682,000
Additional contributions received		
Winnipeg Regional Health Authority	**257,520**	257,520
Less amounts amortized to revenue	**(257,520)**	(257,520)
Contributions applied to debt assumed by Province	**(245,490)**	(448,000)
Balance, end of year	**$ 988,510**	$ 1,234,000

Unspent Equipment Funding

Unspent equipment funding related to equipment replacement represent the unspent amount of funding received for the purchase of equipment. Equipment funding is not recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	**$ 97,674**	$ 100,196
Additional contributions received		
Winnipeg Regional Health Authority	**9,975**	9,975
Equipment purchases	**(12,510)**	(14,330)
Interest received	**3,155**	1,833
Balance, end of year	**98,294**	97,674
Total deferred contributions	**$ 1,086,804**	$ 1,331,674

The long-term debt that has been incorporated in deferred contributions includes the following:

Royal Bank Revolving Loan, bearing interest at 4.87%, due April 2, 2007	$988,510

7. Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing Plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contribution by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the Plan is in deficit, however it is anticipatedthat recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $98,313 (2006 - $84,932) and are included in the statement of operations.

8. Related Party Transactions

During the year the Home had the following transactions with related organizations:

Management fee charges	$	69,715
Shared building operations expenses		334,889

Accounts payable includes $7,233 payable to related parties.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Manitoba Housing Authority owns the Manitoba Deaf Centre building located at 285 Pembina Highway, Winnipeg, Manitoba. Pembina Place Mennonite Personal Care Home Inc. has been allotted 31% of building operation expenses for the year ended March 31, 2007.

9. Funding of Future Employee Benefits

Effective April 1, 2004 Manitoba Health directed all health care facilities (including non-profit personal care homes) to discontinue establishing a receivable from Manitoba Health for the funding of future employee benefits given that the responsibility for payment of same would be transferred to the WRHA. Contrary to the long-standing practice prior to April 1, 2004, the WRHA has since directed all health care facilities to record the future employee benefits liability, but not the corresponding receivable. As explained in Note 3, commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded portions; however, they did not agree to fund changes in accrued vacation pay.

The Home has taken the position that Unfunded Future Employee Benefits (which include Pre-retirement Leave and Vacation Accrual) should be recoverable from the WRHA.

The Home's position is based on the fact that employee benefits are negotiated centrally by the Labour Relations Secretariat, and the Service Purchase Agreement explicitly states that the level of funding will be commensurate with any settlement agreed to by the Labour Relations Secretariat.

Based on this understanding, the corresponding responsibility for the future funding of the these benefits should be recognized by Manitoba Health to the WRHA and the WRHA to Winnipeg non-profit personal care homes (including Pembina Place Mennonite Personal Care Home Inc.).

The Home has expressed considerable concern to the WRHA regarding the impact of the policy change referred to above, and the manner in which Employee Future Benefit liabilities are to be funded and recorded in the Home's Audited Financial Statements.

10. Comparative Figures

The comparative figures presented in the financial statements have been restated to conform to the current year's presentation.

KPMG

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AUDITORS' REPORT

To the Members of Riverview Health Centre Inc.

We have audited the statement of financial position of Riverview Health Centre Inc. as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Health Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Health Centre as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 11, 2007

RIVERVIEW HEALTH CENTRE INC.

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

Assets

	2007	2006
Current assets		
Cash and cash equivalents	$ 1,526,591	$ 187,092
Short-term investments (note 4)	1,477,628	1,822,030
Employee benefits recoverable from Winnipeg Regional Health Authority (note 10)	2,165,053	2,165,053
Accounts and accrued interest receivable	1,321,955	1,118,990
Due from Winnipeg Regional Health Authority (note 3)	–	677,892
Materials and supplies	416,021	377,957
Prepaid expenses	74,075	80,904
	6,981,323	6,429,918
Investments (note 4)	7,262,954	5,907,621
Capital assets (note 5)	46,022,600	48,016,139
Other assets:		
Cash held in trust (note 8)	73,004	60,515
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 10)	3,499,208	3,288,171
	$ 63,839,089	$ 63,702,364

Liabilities, Deferred Contributions and Net Assets

	2007	2006
Current liabilities:		
Accounts payable	$ 137,451	$ 145,501
Accrued liabilities (note 10)	5,706,897	5,420,317
Due to Winnipeg Regional Health Authority (note 3)	724,926	–
	6,569,274	5,565,818
Funds held in trust (note 8)	73,110	60,596
Future employee pre-retirement benefits payable (note 10)	3,004,944	2,793,907
	9,647,328	8,420,321
Deferred contributions (note 6):		
Related to expenses of future years	228,821	121,706
Related to capital assets	44,080,953	46,057,052
	44,309,774	46,178,758
Net assets:		
Investment in capital assets (note 7)	2,118,620	2,172,374
Internally restricted	2,707,241	2,593,136
Unrestricted	5,056,126	4,337,775
	9,881,987	9,103,285
Commitments (note 11)		
	$ 63,839,089	$ 63,702,364

See accompanying notes to financial statements.

On behalf of the Board:

Director

Nora Losey Director

RIVERVIEW HEALTH CENTRE INC.

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Hospital operations:		
Revenue:		
Winnipeg Regional Health Authority	$ 36,955,776	$ 35,169,014
Residents	4,478,154	4,554,068
	41,433,930	39,723,082
Amortization of deferred contributions related to capital assets	2,011,466	2,003,876
Other	192,988	184,499
	43,638,384	41,911,457
Expenses:		
Patient care	29,948,652	28,342,100
General administration	4,058,505	4,009,748
General services	4,027,944	3,995,849
Plant maintenance	3,420,453	3,375,266
Amortization of capital assets	2,065,220	2,057,630
	43,520,774	41,780,593
Excess of operating revenue over operating expenses	117,610	130,864
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority (note 10)	211,037	–
Future employee pre-retirement benefits adjustment (note 10)	(211,037)	790,397
Excess of revenue over expenses before interest and other operations	117,610	921,261
Interest and other operations revenue (expenses):		
Interest	531,369	484,967
Other operations revenue (note 9)	827,034	744,027
Other operations expenses (note 9)	(638,506)	(626,798)
	719,897	602,196
Excess of revenue over expenses before the undernoted	837,507	1,523,457
Surplus repayable to Winnipeg Regional Health Authority	(58,805)	(65,432)
Excess of revenue over expenses	$ 778,702	$ 1,458,025

See accompanying notes to financial statements.

RIVERVIEW HEALTH CENTRE INC.

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

	Investment in capital assets	Internally restricted	Unrestricted	2007 Total	2006 Total
Balance, beginning of year	$ 2,172,374	$ 2,593,136	$ 4,337,775	$ 9,103,285	$ 7,645,260
Excess (deficiency) of revenue over expenses	(53,754)	114,105	718,351	778,702	1,458,025
Balance, end of year	$ 2,118,620	$ 2,707,241	$ 5,056,126	$ 9,881,987	$ 9,103,285

See accompanying notes to financial statements.

RIVERVIEW HEALTH CENTRE INC.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	$ 778,702	$ 1,458,025
Items not involving cash:		
Amortization of capital assets	2,065,220	2,057,630
Amortization of deferred contributions related to capital assets	(2,011,466)	(2,003,876)
Change in non-cash working capital balances:		
Accounts and accrued interest receivable	(202,965)	(183,534)
Due from (to) Winnipeg Regional Health Authority	1,402,818	(722,662)
Materials and supplies	(38,064)	16,758
Prepaid expenses	6,829	(40,912)
Cash held in trust	(12,489)	9,084
Future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority	(211,037)	–
Accounts payable	(8,050)	(1,129,108)
Accrued liabilities	286,580	(22,384)
Funds held in trust	12,514	(9,003)
Future employee pre-retirement benefits payable	211,037	(790,397)
	2,279,629	(1,360,379)
Net change in deferred contributions related to expenses of future years	107,115	14,010
	2,386,744	(1,346,369)
Investing:		
Purchase of capital assets, net	(71,681)	(357,511)
Additional contributions to deferred contributions related to capital assets	35,367	204,328
Decrease (increase) in investments, net	(1,010,931)	(1,003,112)
	(1,047,245)	(1,156,295)
Increase (decrease) in cash	1,339,499	(2,502,664)
Cash and cash equivalents, beginning of year	187,092	2,689,756
Cash and cash equivalents, end of year	$ 1,526,591	$ 187,092
Supplementary cash flow information:		
Interest received	$ 80,744	$ 128,799

Cash equivalents is defined as short-term instruments due in 90 days or less.

See accompanying notes to financial statements.

1. General:

Riverview Health Centre Inc. (the Health Centre) was incorporated in 1993 under the Corporations Act of Manitoba as a corporation without share capital. It provides health care and related services to the residents of Manitoba.

2. Significant accounting policies:

(a) Revenue recognition:

The Health Centre follows the deferral method of accounting for contributions as follows:

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received.

Unrestricted investment income is recognized as revenue in the year in which it is earned. Restricted investment income is allocated to the appropriate category in the Internally Restricted Fund and is recognized as revenue in the year in which it is earned.

(b) Accounting for operations:

Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements with the Winnipeg Regional Health Authority (WRHA) for the year ended March 31, 2007. The Health Centre's Service Purchase Agreement with the WRHA continues in effect to March 31, 2011. Funding is provided by the WRHA on an expense recovery basis for out-of-globe expenditures. In addition, the WRHA funds any shortfall of out-of-globe non-insured patient income under budget and conversely retains any excess of non-insured patient income over budget.

Funding provided by the WRHA for all other eligible operations is provided in accordance with the approved in-globe budget. The Health Centre is responsible for any in-globe deficits but may retain in-globe surpluses up to a specified maximum (presently at 50 percent of in-globe surpluses). Additional funding may be provided by the WRHA for in-globe expenses not initially included in the budget.

The Health Centre's operations are subject to review and control by the Province of Manitoba through the WRHA which provides the Health Centre with the majority of its revenue. Adjustments arising from these reviews are recorded as adjustments to unrestricted fund balances in the year in which the Health Centre is informed of the adjustment.

2. Significant accounting policies (continued):

Internally restricted funds represent funds that have been established to cover the Health Centre's commitment with respect to the funding of future capital projects.

(c) Investments:

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline is considered to be other than temporary, the investments are written-down to market value.

(d) Material and supplies:

Inventory of materials and supplies is stated at cost using the average cost valuation method. A modified first-in, first-out basis is applied for pharmaceutical goods.

(e) Capital assets and amortization:

Capital asset acquisitions are stated at cost, including interest costs on indebtedness incurred to finance projects during construction, and are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Rate
Land improvements	10%
Buildings	2%
Equipment	10% to 20%

(f) Employee benefits:

The Health Centre records a provision for future employee pre-retirement benefits, being an actuarial estimate of the Health Centre's obligation to make a cash payment to certain qualifying employees based on unused sick leave days. Funding for portions of these obligations remains outstanding as disclosed in note 10.

The cost of the Health Centre's future employee benefits is accrued as earned based on actuarial estimates. The estimation of the future employee benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method.

The significant actuarial assumptions adopted in measuring the Health Centre's future employee benefits payable include mortality and withdrawal dates, a discount rate of 4.85 percent (2006 - 5 percent), a rate of salary increase of 3 percent (2006 - 3 percent) plus an age-related merit/promotion scale with no provision for disability.

2. Significant accounting policies (continued):

Eligible employees of the Health Centre are members of the City of Winnipeg Employees' Benefits Program (the Program), a multi-employer defined benefit pension plan. As individual entities within the Program are not able to identify their share of the underlying assets and liabilities, the Hospital is accounting for the Program as a defined contribution plan. The cost of the Program is recognized based on the contributions required to be made during each period.

(g) Contributed services:

Volunteers are an integral part of carrying out the activities of the Health Centre. These contributed services are not recognized in the financial statements because of the difficulty in determining their fair value.

(h) Income taxes:

The Health Centre is exempt from income taxes under Section 149 (1) of the *Income Tax Act*.

(i) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Due from/due to Winnipeg Regional Health Authority:

The amounts due from/due to the Winnipeg Regional Health Authority consist of out-of-globe items, funding commitments and surpluses refundable/recoverable by fiscal year.

4. Investments:

	2007		2006	
	Carrying value	Market value	Carrying value	Market value
Money market	$ 2,198,741	$ 2,322,349	$ 2,072,748	$ 2,265,844
Government bonds:				
Federal	–	–	500,000	612,404
Provincial	3,595,410	4,445,505	4,356,903	4,987,328
Corporate bonds	2,941,094	3,079,977	800,000	866,716
Mutual funds	5,337	5,464	–	–
	8,740,582	9,853,295	7,729,651	8,732,292
Current portion, shown as short-term investments	1,477,628	1,820,313	1,822,030	2,066,822
	$ 7,262,954	$ 8,032,98[illegible]	$ 5,907,621	$ 6,665,470

5. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Land	$ 74,660	$ –	$ 74,660	$ 74,660
Land improvements	502,925	375,456	127,469	177,822
Buildings	57,024,157	12,214,372	44,809,785	45,968,791
Equipment	2,884,838	1,874,152	1,010,686	1,794,866
	$ 60,486,580	$ 14,463,980	$ 46,022,600	$ 48,016,139

6. Deferred contributions:

(a) Related to expenses of future years:

Deferred contributions related to expenses of future years are externally restricted contributions which have been received and relate to expenses to be incurred in future years. Changes in this deferred contributions balance are as follows:

	2007	2006
Balance, beginning of year	$ 121,706	$ 107,696
Contributions received	116,127	30,648
Amount recognized as revenue	(9,012)	(16,638)
	$ 228,821	$ 121,706

6. Deferred contributions (continued):

(b) Related to capital assets:

Deferred contributions related to capital assets represent the unamortized or unspent amount of payments received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	$ 46,057,052	$ 47,856,600
Additional contributions received:		
Riverview Health Centre Foundation	10,711	15,777
Other	84,656	188,551
Less amounts amortized to revenue	(2,011,466)	(2,003,876)
Adjustment to prior year principal payments	(60,000)	–
	$ 44,080,953	$ 46,057,052

Deferred contributions related to capital assets consists of:

	2007	2006
Unamortized capital contributions used to purchase assets	$ 43,903,980	$ 45,843,765
Unspent contributions	176,973	213,287
	$ 44,080,953	$ 46,057,052

7. Investment in capital assets:

(a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	$ 46,022,600	$ 48,016,139
Deferred contributions	44,080,953	46,057,052
Unspent contributions	(176,973)	(213,287)
	43,903,980	45,843,765
Investment in capital assets	$ 2,118,620	$ 2,172,374

7. Investment in capital assets (continued):

(b) The change in investment in capital assets is calculated as follows:

	2007	2006
Excess of revenues over expenses:		
Amortization of deferred contributions related to capital assets	$ 2,011,466	$ 2,003,876
Amortization of capital assets	(2,065,220)	(2,057,630)
	$ (53,754)	$ (53,754)

8. Funds held in trust:

Funds held in trust includes cash balances held in trust for the residents in the name of the Health Centre which generally do not exceed $400 per resident.

9. Other operations:

	Non-patient food services	Parking	Patients' van	Rental	Other	2007 Total	2006 Total
Revenue	$ 466,958	$ 236,329	$ –	$ 75,134	$ 48,613	$ 827,034	$ 744,027
Expenses	(550,232)	(17,621)	(2,853)	(33,043)	(34,757)	(638,506)	(626,798)
	$ (83,274)	$ 218,708	$ (2,853)	$ 42,091	$ 13,856	$ 188,528	$ 117,229

10. Future employee benefits and employee benefits:

(i) The Health Centre maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on unused sick days at time of retirement.

At March 31, 2007, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $3,004,944 (2006 - $2,793,907) which includes the fiscal 2007 obligation of $211,037, and the Health Centre has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

10. Future employee benefits and employee benefits (continued):

The amount of funding which will be provided by the WRHA for pre-retirement benefits was initially determined as the amount owing as at March 31, 2004, and has been recorded as a long-term receivable on the statement of financial position. The Health Centre has been notified by the WRHA that the incremental pre-retirement benefits obligation for fiscal 2007 of $211,037 will be funded and this amount has been recorded as revenue in the current year and included in the long-term future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority. Manitoba Health has guaranteed payment of these amounts, but has not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to the Health Centre. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

(ii) The cost of Health Centre's vacation benefits is accrued when the benefits are earned by the employees and is included in accrued liabilities on the statement of financial position. The vacation liability at March 31, 2007 is $2,475,433 (2006 - $2,316,665). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $2,165,053. This amount is reported as employee benefits recoverable from Winnipeg Regional Health Authority on the statement of financial position.

(iii) The employees of the Health Centre are members of the multi employer City of Winnipeg Employees' Benefits Program (the Program). The Program consists of the Civic Employee's Pension Plan (the Pension Plan) and the Civic Employees Long-Term Disability Plan (the LTD Plan).

The Pension Plan is a defined benefit final average pension plan operated by the City of Winnipeg for its employees and substantially all of the Health Centre's employees.

The Health Centre accrued $1,291,045 during fiscal years 2000 to 2002 for employer contributions to the Pension Plan. These amounts will be contributed to the Pension Plan when required based on actuarial valuation. During the year, the Health Centre expensed $374,495 (2006 - $343,127) for current year's Pension Plan contributions.

The LTD Plan provides disability benefits to members of the Program who become disabled on or after January 1, 1992. The Health Centre contributed $1,102,000 (2006 - $969,000) to the LTD Plan during fiscal 2007.

10. Future employee benefits and employee benefits (continued):

(iv) The Health Centre maintains a separate supplemental executive retirement plan. The plan provides post-employment benefit payments.

The Health Centre's accrued benefit liability is determined by an actuarial valuation performed every three years. The latest valuation date for the defined benefit pension plan was January 1, 2006. At March 31, 2006, based on the latest available valuation, the supplemental executive retirement plan's obligations are estimated to be approximately $101,109.

The accrued benefit liability for the supplemental executive retirement plan is reported in the Health Centre's statement of financial position.

Information about the Health Centre's supplemental executive retirement plan is as follows:

Net benefit cost	$ 170,000
Accrued benefit liability	170,000

The significant actuarial assumptions adopted in measuring the Health Centre's accrued benefit asset/liability are as follows:

Discount rate	5.0%
Rate of compensation increase	4.0%

11. Commitments:

(a) Land lease:

The Health Centre is committed to payments under a 99 year lease agreement with the City of Winnipeg for the land on which the Health Centre is located, expiring in 2092. Annual payments are $1.

11. Commitments:

(b) Winnipeg Regional Health Authority - Logistics Services:

Under the terms of an agreement with the Winnipeg Regional Health Authority - Logistics Services, the Health Centre is committed to acquiring its total requirement for patient food services and related management services through the regional distribution facility (RDF) of Winnipeg. The commitment is for a period of 20 years effective September 1, 1998.

(c) Equipment leases:

The Health Centre is committed to annual payments for various equipment under operating leases as follows:

2008	$ 376,051
2009	367,554
2010	354,480
2011	241,116
2012	40,186
	$ 1,379,387

12. Related party:

(a) Riverview Health Centre Foundation Inc.:

The Riverview Health Centre Foundation Inc. (the Foundation) has been established to assist the Health Centre in funding its capital and other expenditures not funded by WRHA. Selected financial information of the Foundation as at and for the year ended December 31 is as follows:

	2007	2006
Revenue	$ 957,461	$ 852,586
Expenses	506,375	543,275
Fund balances	4,977,027	4,525,941

(b) Related party transaction:

The Foundation reimbursed the Health Centre for shared wages totaling $136,832 (2006 - $130,364).

Included in accounts and accrued interest receivable is $145,303 (2006- $119,266) receivable from the Foundation.

13. Fair value of financial assets and financial liabilities:

The fair value of investments and short-term investments is as disclosed in note 4.

The fair value of employee benefits recoverable and future employee pre-retirement benefits recoverable from Winnipeg Regional Health Authority and the future employee pre-retirement benefits payable is not readily determinable due to the underlying terms and conditions.

The fair value of the Health Centre's other financial assets and liabilities approximates carrying value due to their short term to maturity.

KPMG

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AUDITORS' REPORT

To the Member of St. Amant Inc.

We have audited the statement of financial position of St. Amant Inc. as at March 31, 2007 and the statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

July 6, 2007

ST. AMANT INC.

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	Operating Fund		Capital Fund		Total	
	2007	2006	2007	2006 (Restated, note 2)	2007	2006 (Restated, note 2)
Assets						
Current assets:						
Cash	$ 1,456,036	$ 1,734,415	$ 62,512	$ –	$ 1,518,548	$ 1,734,415
Funds held in trust for residents	332,851	324,880	–	–	332,851	324,880
Accounts receivable	2,638,909	2,748,184	324,177	276,498	2,963,086	3,024,682
Inventories	219,967	188,681	–	–	219,967	188,681
Prepaid expenses	126,345	164,989	–	–	126,345	164,989
Vacation pay recoverable from funders (note 9)	1,461,198	1,461,198	–	–	1,461,198	1,461,198
Due from St. Amant Foundation Inc.	513,088	303,695	(66,286)	1,611	446,802	305,306
Inter-fund balances receivable	1,746,258	374,722	(1,746,258)	(374,722)	–	–
	8,494,652	7,300,764	(1,425,855)	(96,613)	7,068,797	7,204,151
Capital assets (note 3)	–	–	18,631,489	16,789,220	18,631,489	16,789,220
Future employee pre-retirement benefits recoverable from funders (note 9)	1,825,654	1,698,763	–	–	1,825,654	1,698,763
	$10,320,306	$ 8,999,527	$ 17,205,634	$ 16,692,607	$ 27,525,940	$ 25,692,134

Exhibit 1
Page 2

	Operating Fund		Capital Fund		Total	
	2007	2006	2007	2006 (Restated, note 2)	2007	2006 (Restated, note 2)

Liabilities, Deferred Contributions and Fund Balances

Current liabilities:						
Bank overdraft	$ –	$ –	$ –	$ 353,369	$ –	$ 353,369
Accounts payable and accrued liabilities	3,143,845	2,626,494	33,224	207,603	3,177,069	2,834,097
Employee vacation payable (note 9)	2,111,439	1,976,001	–	–	2,111,439	1,976,001
Funds held in trust for residents	332,851	324,880	–	–	332,851	324,880
Advances (note 4)	377,480	377,480	–	–	377,480	377,480
Current portion of long-term debt (note 5)	–	–	5,635,979	3,508,781	5,635,979	3,508,781
	5,965,615	5,304,855	5,669,203	4,069,753	11,634,818	9,374,608
Future employee pre-retirement benefits payable (note 9)	2,104,142	1,971,753	–	–	2,104,142	1,971,753
Long-term debt (note 5)	–	–	1,404,659	2,586,086	1,404,659	2,586,086
Deferred contributions (note 6):						
Expenses of future periods	1,601,628	1,209,062	–	–	1,601,628	1,209,062
Capital assets	–	–	4,989,041	4,615,321	4,989,041	4,615,321
	1,601,628	1,209,062	4,989,041	4,615,321	6,590,669	5,824,383
Fund balances:						
Invested in capital assets	–	–	4,928,491	5,207,207	4,928,491	5,207,207
Internally restricted	450,905	454,061	–	–	450,905	454,061
Unrestricted	198,016	59,796	–	–	198,016	59,796
	648,921	513,857	4,928,491	5,207,207	5,577,412	5,721,064
Excess of appraised value over cost	–	–	214,240	214,240	214,240	214,240
Commitment (note 10)						
	$10,320,306	$ 8,999,527	$ 17,205,634	$ 16,692,607	$ 27,525,940	$ 25,692,134

See accompanying notes to financial statements.

Approved on behalf of the
Board of Directors:

Date: Aug. 1, 2007

Approved on behalf of the
Member of the Corporation:

Date: Aug. 1, 2007

ST. AMANT INC.

Statement of Operations and Changes in Fund Balances
Year ended March 31, 2007, with comparative figures for 2006

Exhibit 2
Page 3

	Winnipeg Regional Health Authority	Family Services	Other Funded	Total Operating Fund unrestricted	Operating Fund internally restricted	Total Operating Fund	Capital Fund	2007 Combined	2006 Combined (Restated, note 2)
Revenues:									
Manitoba Family Services	$ –	$ 19,382,148	$ 12,373	$ 19,394,521	$ –	$ 19,394,521	$ –	$ 19,394,521	$ 18,851,497
Winnipeg Regional Health Authority	22,224,243	–	–	22,224,243	–	22,224,243	–	22,224,243	21,395,043
Government of Canada	6,159	4,904	–	11,063	–	11,063	–	11,063	11,089
School divisions	–	555,025	–	555,025	–	555,025	–	555,025	–
Fees	–	125,691	–	125,691	–	125,691	–	125,691	180,687
Grants	66,523	–	16,750	83,273	–	83,273	–	83,273	109,748
Other governments	100,152	–	–	100,152	–	100,152	–	100,152	159,200
Recoveries	402,859	270	–	403,129	–	403,129	–	403,129	348,402
Investment income	121,667	–	–	121,667	–	121,667	–	121,667	112,610
St. Amant Foundation Inc. donations (note 7)	210,799	23,085	15,000	248,884	–	248,884	–	248,884	410,034
Amortization of deferred contributions	–	–	–	–	–	–	500,879	500,879	428,328
Gain on sale of capital assets	–	–	–	–	–	–	20,603	20,603	–
Other programs	127,212	561,994	47,973	737,179	–	737,179	7,446	744,625	236,857
	23,259,614	20,653,117	92,096	44,004,827	–	44,004,827	528,928	44,533,755	42,241,495
Expenses:									
Salaries and wages	16,595,065	14,208,675	6,481	30,810,221	–	30,810,221	–	30,810,221	28,757,511
Employee benefits	3,330,536	2,371,195	965	5,702,696	–	5,702,696	–	5,702,696	5,213,125
Purchased services	291,072	13,963	14,316	319,351	–	319,351	–	319,351	619,272
Supplies	1,204,183	227,371	7,178	1,438,732	–	1,438,732	–	1,438,732	1,427,899
Food	559,098	373,162	–	932,260	–	932,260	–	932,260	879,945
Utilities	694,626	184,826	2,325	881,777	–	881,777	–	881,777	877,963
Equipment	148,522	79,582	–	228,104	–	228,104	–	228,104	322,545
Property taxes	226,086	90,378	–	316,464	–	316,464	–	316,464	345,855
Repairs and maintenance	56,522	336,803	–	393,325	–	393,325	–	393,325	202,497
Interest on long-term debt	–	–	–	–	–	–	202,056	202,056	143,879
Amortization	–	–	–	–	–	–	1,393,865	1,393,865	881,273
Other (note 8)	(474,734)	2,616,650	54,040	2,195,956	–	2,195,956	19,633	2,215,589	2,146,463
	22,630,976	20,502,605	85,305	43,218,886	–	43,218,886	1,615,554	44,834,440	41,818,227
Excess (deficiency) of revenues over expenses for the year before the undernoted	628,638	150,512	6,791	785,941	–	785,941	(1,086,626)	(300,685)	423,268
Future employee pre-retirement revenue (note 9)	289,422	–	–	289,422	–	289,422	–	289,422	–
Future employee pre-retirement benefits obligation (note 9)	(132,389)	–	–	(132,389)	–	(132,389)	–	(132,389)	(162,816)
Excess (deficiency) of revenues over expenses	785,671	150,512	6,791	942,974	–	942,974	(1,086,626)	(143,652)	260,452
Transfer to Capital Fund for purchased capital assets	(348,268)	(50,796)	–	(399,064)	–	(399,064)	399,064	–	–
Transfer to Capital Fund for principal repayment	(68,982)	(134,644)	–	(203,626)	–	(203,626)	203,626	–	–
Transfer to Capital Fund for interest	(52,340)	(152,880)	–	(205,220)	–	(205,220)	205,220	–	–
Transfer to internally restricted	(100,000)	–	–	(100,000)	100,000	–	–	–	–
Transfer from internally restricted	103,156	–	–	103,156	(103,156)	–	–	–	–
Net change in fund balances	$ 319,237	$ (187,808)	$ 6,791	138,220	(3,156)	135,064	(278,716)	(143,652)	260,452
Fund balances, beginning of year:									
As previously reported				59,796	454,061	513,857	4,898,152	5,412,009	5,460,612
Adjustment for promissory note [note 2(a)]				–	–	–	209,238	209,238	–
Adjustment for capitalized salaries [note 2(b)]				–	–	–	99,817	99,817	–
As restated				59,796	454,061	513,857	5,207,207	5,721,064	5,460,612
Fund balances, end of year				$ 198,016	$ 450,905	$ 648,921	$ 4,928,491	$ 5,577,412	$ 5,721,064

See accompanying notes to financial statements.

Exhibit 3

ST. AMANT INC.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006 (Restated, note 2)
Cash provided by (used for):		
Operating activities:		
Excess (deficiency) of revenues over expenses	$ (143,652)	$ 260,452
Items not involving cash:		
Amortization of capital assets	1,393,865	881,273
Amortization of deferred contributions	(500,879)	(426,328)
Gain on sale of capital assets	(20,603)	–
Change in non-cash operating working capital:		
Accounts receivable	61,596	(1,760,110)
Inventories	(31,286)	(15,604)
Prepaid expenses	38,644	(101,385)
Future employee pre-retirement benefits recoverable from funders	(126,891)	–
Due from St. Amant Foundation Inc.	(141,496)	(182,186)
Accounts payable and accrued liabilities	342,972	919,447
Employee benefits payable	135,438	331,419
Advances	–	284,000
Future employee pre-retirement benefits payable	132,389	162,816
Net increase in deferred contributions	392,566	258,266
	1,532,663	612,060
Financing and investing activities:		
Increase in deferred contributions related to capital assets	874,599	2,744,068
Purchase of capital assets	(3,577,678)	(5,476,388)
Proceeds on disposal of capital assets	362,147	–
Proceeds from long-term debt	1,615,405	1,593,800
Repayment of long-term debt	(669,634)	(644,056)
	(1,395,161)	(1,782,576)
Increase (decrease) in cash	137,502	(1,170,516)
Cash, beginning of year	1,381,046	2,551,562
Cash, end of year	$ 1,518,548	$ 1,381,046
Cash position consists of:		
Cash	$ 1,518,548	$ 1,734,415
Bank overdraft	–	(353,369)
	$ 1,518,548	$ 1,381,046

See accompanying notes to financial statements.

General:

St. Amant Inc. (the Organization) was incorporated in 1960 as a corporation without share capital. The Organization is a residential and resource facility dedicated to providing comprehensive care, leadership and promoting excellence in services for Manitobans with developmental disabilities.

On November 2, 2005, the Organization's name was legally changed from St. Amant Centre Inc. to St. Amant Inc.

1. Significant accounting policies:

(a) Revenue recognition:

The Organization is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority (WRHA) and Manitoba Family Services and Housing (Family Services). Operating grants are recorded as revenue in the period to which they relate. These financial statements reflect agreed arrangements approved with respect to the year ended March 31, 2007. The Organization's Service Purchase Agreement (SPA) with the WRHA continued in effect until March 31, 2007 and the SPA with Family Services continues in effect until March 31, 2009. The Organization continues to operate under terms and conditions which are substantially the same as those previously agreed with the WRHA. Negotiations to finalize a new agreement are on going.

The Organization follows the deferral method for contributions on a fund accounting basis as follows:

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. Unrestricted contributions are recognized as revenue of the appropriate fund when received. Investment income is recognized in the Operating Fund in the year in which it is earned.

The funds used by the Organization are:

(i) Operating Fund:

Unrestricted:

The Operating Fund - unrestricted includes transactions related to the government funded operations of the main residential program, developmental day program and community residences.

1. **Significant accounting policies (continued):**

Internally restricted:

The Operating Fund - internally restricted consists of funds restricted for use in the River Road Place program which cannot be expended without the approval of the Board of Directors.

(ii) Capital Fund:

The Capital Fund includes transactions related to the capital assets used for operations of the Organization.

(b) Inventories:

Inventories are valued at the lower of cost and replacement cost.

(c) Capital assets:

Capital expenditures funded by operations and by contributions from other funds are recorded at cost as capital assets in the Capital Fund. Contributed capital assets are recorded at fair value at the date of contribution.

Land is stated at its appraised value as at January 13, 1972. Acquisitions subsequent to 1972 are stated at cost.

Amortization on capital assets is charged to the Capital Fund and recorded on a straight-line basis to amortize the cost of capital assets over their estimated useful lives.

Capital assets are amortized over the following periods:

Asset	Period
Land improvements	20 years
Buildings	10 - 40 years
Furniture and equipment, building service equipment	5 - 20 years
Automotive	5 years
Software	5 years

(d) Mortgage payable:

Mortgage payable to Canada Mortgage and Housing Corporation (note 5), for which a portion is forgivable over the period of repayment, is recorded at the repayable amounts.

1. Significant accounting policies (continued):

(e) Deferred contributions:

(i) Related to expenses of future years:

Grants received toward specified expenditures are taken into revenue as the related expenditures are incurred.

(ii) Related to capital assets:

Grants received towards the cost of capital expenditures are deferred and amortized on a straight-line basis over the estimated useful life of the assets purchased.

(f) Debt retirement:

The principal portion of annual debt retirement costs is recorded in the Capital Fund as a reduction of long-term debt. The interest portion of annual debt retirement is recorded in the Capital Fund as an expense.

(g) Income taxes:

The Organization is exempt from income taxes under Section 149(1) of the *Income Tax Act.*

(h) Volunteers:

A large number of volunteers donate significant amounts of time in the Organization's activities. No amount is reflected in the statements for donated services since no objective basis is available to measure the value of such services.

(i) Future employee pre-retirement benefits:

Future pre-retirement benefits are accrued as earned based on an actuarial estimation. The estimation of the future pre-retirement benefits has been performed using the projected unit credit service pro-rated on service actuarial cost method. The significant actuarial assumptions adopted in measuring the Organization's accrued future pre-retirement benefit includes mortality and withdrawal rates, a discount rate of 4.85 percent (2006 - 5 percent) and a rate of salary increase of 3 percent (2006 - 3 percent) plus an age related merit/promotion scale with no provision for disability.

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1. **Significant accounting policies (continued):**

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

2. **Adjustments to prior period:**

(a) Long-term debt and deferred contributions have been revised to reflect the principal repayment of the Province of Manitoba promissory note (note 5) and related deferred contribution for capital assets as the promissory note principal repayment were made by the Province of Manitoba. The deferred contribution for capital assets recorded was also amortized into revenue at a rate corresponding with the amortization rate for the related capital assets. These adjustments have resulted, from that previously reported, in a decrease in long-term debt of $500,000, an increase in deferred contributions related to capital assets of $290,762 and fund balance invested in capital assets of $209,238. The total excess of revenues over expenses in the statement of operations for the year ended March 31, 2006 has increased by $209,238 from that previously reported.

(b) The cost of capital assets has been revised to include the capitalization of $99,817 of salaries of employees who were directly involved in the implementation of software in fiscal 2006. These salaries were previously reported, during the year ended March 31, 2006 as an expense of the Operating Fund by the Organization. This adjustment has resulted in an increase, from that previously reported, in the fund balance invested in capital assets and the cost of capital assets of $99,817. The total excess of revenues over expenses in the statement of operations for the year ended March 31, 2006 has increased by $99,817 from that previously reported.

3. Capital assets:

			2007	2006
	Cost or appraised value	Accumulated amortization	Net book value	Net book value (Restated, note 2)
440 River Road:				
Land	$ 212,888	$ –	$ 212,888	$ 212,888
Land improvements	492,122	205,666	286,456	254,301
Buildings	15,411,878	7,919,942	7,491,936	6,297,953
Building service equipment	4,361,175	1,474,305	2,886,870	2,978,618
Furniture and equipment	5,622,753	4,214,143	1,408,610	1,729,821
Automotive	210,126	166,423	43,703	52,543
Software	1,004,246	203,121	801,125	123,303
	27,315,188	14,183,600	13,131,588	11,649,427
Community residences:				
Land	1,142,771	–	1,142,771	1,067,289
Land improvements	4,678	2,145	2,533	2,743
Buildings	4,091,230	527,524	3,563,706	3,091,152
Building service equipment	10,124	7,087	3,037	3,544
Furniture and equipment	1,212,730	464,201	748,529	912,355
Automotive	228,234	188,909	39,325	62,710
	6,689,767	1,189,866	5,499,901	5,139,793
	$ 34,004,955	$ 15,373,466	$ 18,631,489	$ 16,789,220

4. Advances:

The Organization has received working capital advances from Manitoba Family Services. These advances are non-interest bearing, have no fixed repayment terms and are unsecured.

5. Long-term debt:

	2007	2006 (Restated, note 2)
Canada Mortgage and Housing Corporation:		
Mortgage payable, secured by specific properties, interest at 7 5/8%, payable $6,578 monthly including principal and interest, maturing November 15, 2015	$ 501,794	$ 541,431
National Bank of Canada - Manitoba Health approved borrowings, due on demand, interest at bank prime rate less .5%, payable $4,891 monthly, principal payments, maturing October 2016	557,554	237,876
St. Amant Foundation Inc.:		
Loans payable, secured by vehicles, interest at 7.00%, payable $260 and $554 monthly including principal and interest, maturing in March 2008	9,409	18,199
Term financing, non-interest bearing	–	14,077
National Bank of Canada, mortgages payable, secured by specific properties, at interest rates ranging from 5.18% to 6.78%, payable $18,774 monthly including principal and interest, maturing at various dates from September 2007 through October 2011	2,685,241	2,283,309
National Bank of Canada, promissory note, due on demand, interest at bank prime, payable $4,445 monthly, principal payments, maturing in December 2022	786,665	–
Province of Manitoba promissory note, due on demand, unsecured, interest at 4.6%, payable $41,666 monthly, principal payments plus interest, maturing in March 2012	2,499,975	2,999,975
	7,040,638	6,094,867
Current portion	5,635,979	3,508,781
	$ 1,404,659	$ 2,586,086

The repayment of the Province of Manitoba promissory note, both principal and interest, has been guaranteed for the term of the note by the Province of Manitoba. Principal and interest payments for fiscal 2006 and 2007 have been funded directly by the Province of Manitoba. These financial statements do not reflect the related funding for and interest paid on the promissory note for fiscal 2006 and 2007.

For Manitoba Health approved borrowings, the Government of Manitoba may elect to retire this debt at anytime as it so chooses.

5. Long-term debt (continued):

Principal repayments over the next five years and thereafter, based on current repayment terms, are approximately as follows:

2008	$ 5,635,979
2009	91,521
2010	97,623
2011	104,406
2012 and thereafter	1,111,109
	$ 7,040,638

6. Deferred contributions:

(i) Expenses of future periods:

Deferred contributions related to expenses of future periods represent unspent externally restricted grants and donations.

	2007	2006
Balance, beginning of year	$ 1,209,062	$ 950,796
Additional contributions received	4,266,999	303,183
Less amounts recognized as revenue	(3,874,433)	(44,917)
	$ 1,601,628	$ 1,209,062

(ii) Capital assets:

Deferred capital contributions related to capital assets represent the unamortized amount and unspent amount of donations and grants received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006 (Restated, note 2)
Balance, beginning of year	$ 4,615,321	$ 2,297,581
Additional contributions received	874,599	2,744,068
Less amounts amortized to revenue	(500,879)	(426,328)
	$ 4,989,041	$ 4,615,321

6. Deferred contributions (continued):

	Grants	Accumulated amortization	2007 Net book value	2006 Net book value (Restated, note 2)
Land improvements	$ 281,203	$ 12,210	$ 268,993	$ 233,860
Buildings	3,799,635	1,013,254	2,786,381	2,693,680
Buildings service equipment	1,355,410	416,699	938,711	598,132
Furniture and equipment	2,852,384	1,857,428	994,956	1,089,649
	$ 8,288,632	$ 3,299,591	$ 4,989,041	$ 4,615,321

7. Related party transactions:

The Organization made payments on loans held by the St. Amant Foundation Inc., a corporation with the same Member as the Organization, of $24,325 (2006 - $24,325), of which $22,867 was principal (2006 - $21,457). The Organization pays rent on eight community residences to St. Amant Foundation Inc. for $80,903 (2006 - $80,903). The Organization charged St. Amant Foundation Inc. $18,000 (2006 - $15,000) for costs related to the parking lot.

St. Amant Foundation Inc. has provided funds towards the Organization's operations in the following amounts:

	2007	2006
Administrative services:		
Public relations services	$ –	$ 146,060
Community residences program:		
Other	9,355	–
Vehicles	15,000	15,000
	24,355	15,000
Client services programs:		
Resident care program	55,489	–
Summer recreation program	9,110	9,110
Recreation program	25,000	25,000
School program	25,328	–
Aboriginal culture and initiative	38,003	26,000
Community support	1,600	–
	154,530	60,110

8. Related party transactions (continued):

	2007	2006
Education and training:		
St. Amant Inc. conference	$ 15,000	$ 15,000
Capital projects:		
Grounds enhancement	43,741	–
Development services renovations	45,819	–
	89,560	–
Equipment and resident supplies:		
Other equipment and supplies	–	1,120
Research program	55,000	51,285
	$ 338,445	$ 288,575

Of these contributions, $89,560 (2006 - nil) have been recorded in deferred contributions related to capital assets.

The Organization purchased occupational health services from St. Boniface General Hospital, a corporation with the same Member of the Corporation, of $30,043 (2006 - $24,736).

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

8. Inter-program recoveries:

The Organization records inter-program recoveries of $1,033,665 (2006 - $1,082,931) to offset the costs associated with the management and administration of the various programs. These amounts are recorded as other expenses in the related programs.

9. Employee benefits recoverable and payable:

(i) The Organization maintains an employee pre-retirement benefit plan for substantially all of its employees. The plan provides benefit payments to eligible retirees based on length of service and on career earnings from initial eligibility.

At March 31, 2007, based on an actuarial estimate, the pre-retirement benefit plan's obligations are estimated to be approximately $2,104,142 (2006 - $1,971,753) for which the Organization has provided an accrued future employee pre-retirement benefits liability on the statement of financial position.

9. Future employee benefits and employee benefits (continued):

The amount of funding which will be provided by the Winnipeg Regional Health Authority (WRHA) for pre-retirement benefits was initially determined as the amount owing as at March 31, 2004 and is recorded as a long-term receivable on the statement of financial position.

The Organization has been notified that the incremental pre-retirement benefits liability for fiscal 2007 of $126,891 will be funded together with $162,531 relating to the incremental pre-retirement benefits liability for fiscal 2005 and 2006. As a result of the notification, additional revenue has been recorded in the current year. The Organization expects to receive $162,531 in fiscal 2008.

Manitoba Health has guaranteed payment of the long-term receivable but has not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the WRHA, a significant contributor to the Organization. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Additional, information about the Organization's employee pre-retirement benefit plan is as follows:

	2007	2006
Net benefit cost expensed in statement of operations:		
Pre-retirement benefits paid included in salaries	$ 97,737	$ 89,488
Change in pre-retirement benefits payable included in future employee pre-retirement benefits	132,389	162,816

(ii) Certain eligible employees of the Organization are members of Healthcare Employees Pension Plan - Manitoba, a multi-employer defined pension plan. The most recent actuarial valuation of the plan as at December 31, 2005 reported that the plan had a going-concern deficiency and a solvency deficiency. Deficiencies are addressed either through pension benefit reductions or rate increases. During the year, the Organization contributed $1,492,268 (2006 - $1,137,481) on behalf of its employees. Contribution rates increased on July 1, 2006 to 6.6 percent of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2 percent on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8 percent and 8.4 percent, respectively.

9. Future employee benefits and employee benefits (continued):

(iii) The cost of the Organization's vacation benefits is accrued when the benefits are earned by the employees and is reported as vacation payable on the statement of financial position. The vacation liability at March 31, 2007 is $2,111,439 (2006 - $1,976,001). The WRHA has agreed to fund the vacation payable that existed at March 31, 2004 of $1,461,198. This amount is reported as employee benefits recoverable on the statement of financial position.

10. Fair value:

The fair value of the following items is not determinable due to the underlying terms and conditions: funds held in trust for residents, due from St. Amant Foundation Inc., advances, loans payable to CMHC, Province of Manitoba promissory note and loans payable to St. Amant Foundation Inc.

The fair value of loans payable to National Bank of Canada and Steinbach Credit Union is approximately $3,485,352 (2006 - $2,300,517) as compared to their carrying value of $3,471,906 (2006 - $2,283,309). Fair value has been determined using future payments of principal and interest discounted at current rates.

The fair value of the remaining financial assets and liabilities approximates their carrying values due to their short term nature.

11. Commitment:

The Organization is committed to construction contracts for the 2008 fiscal year of $236,570.

12. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

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AUDITORS' REPORT

To the Member of St. Boniface General Hospital

We have audited the consolidated statement of financial position of St. Boniface General Hospital as at March 31, 2007 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the hospital as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 11, 2007

ST. BONIFACE GENERAL HOSPITAL

Consolidated Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current:		
Cash	$ 578,168	$ -
Marketable securities	-	665,377
Accounts receivable	27,210,289	24,186,140
Receivable from related parties (note 3)	3,450,005	1,258,567
Inventories	2,342,073	2,600,353
Prepaid expenses	1,189,735	1,210,718
Current portion of future employee benefits recoverable from Winnipeg Regional Health Authority (note 7)	4,028,066	-
Current portion of investments (note 9)	677,107	657,517
	39,475,443	30,578,672
Long term receivable from related party (note 3)	-	1,000,000
Future employee benefits recoverable from Winnipeg Regional Health Authority (note 7)	15,156,887	14,147,295
Capital assets (note 4)	190,866,492	182,200,658
Deferred charges (note 5)	219,581	247,169
Deposits with trustee for debentures (note 8)	42,469,890	38,322,079
Investments (note 9)	2,294,743	2,971,887
	$ 290,483,036	$ 269,467,760
Liabilities, Deferred Contributions and Fund Balances		
Current:		
Bank indebtedness	$ -	$ 2,438,948
Accounts payable and accrued expenses	37,759,373	32,158,153
Interest payable on long term debt	2,441,922	2,407,116
Bank borrowings (note 10)	2,624,741	14,084,083
Current portion of long term debt (note 11)	391,400	891,378
	43,217,436	51,979,678
Future employee benefits payable (note 7)	22,271,540	21,261,408
Long term debt (note 11)	86,144,275	86,013,674
Deferred contributions relating to (note 12):		
Expenses of future years	8,981,782	8,874,857
Capital assets	128,272,876	102,597,152
	137,254,658	111,472,009
Fund balances:		
Insured Services (note 13)	(8,798,806)	(12,599,551)
Ancillary	(3,000,896)	(1,845,837)
Research Enterprises	(7,744,348)	(7,431,719)
Capital (note 14)	15,008,683	14,447,611
Restricted	6,130,494	6,170,487
	1,595,127	(1,259,009)
Commitments (note 15)		
Contingencies (note 16)		
	$ 290,483,036	$ 269,467,760

The accompanying notes are an integral part of the consolidated financial statements.

Approved on behalf of the Board of Directors:

M. McPherson

Date: June 18, 2007

Approved on behalf of the Member of the Corporation:

Date: June 27/07

ST. BONIFACE GENERAL HOSPITAL

Consolidated Statement of Operations and Changes in Fund Balances

Year ended March 31, 2007, with comparative figures for 2006

	Insured Services Fund	Ancillary Fund	Research Enterprises Fund	Capital Fund	Restricted Fund	2007 Total	2006 Total
Revenue:							
Winnipeg Regional Health Authority	$ 222,092,551	$ -	$ 652,200	$ 7,232,293	$ -	$ 229,977,044	$ 217,245,505
Other government revenue	3,339,916	-	-	-	-	3,339,916	3,450,270
Patient services	1,464,432	-	-	-	-	1,464,432	1,495,053
Amortization of deferred contributions - capital assets	-	-	-	11,471,207	-	11,471,207	10,609,307
Net gain on sale of investments (note 9)	-	-	552,660	-	-	552,660	-
Other	4,977,584	1,202,428	7,214,738	-	2,712,137	16,106,887	18,608,272
	231,874,483	1,202,428	8,419,598	18,703,500	2,712,137	262,912,146	251,408,407
Expenses:							
Salaries and benefits	165,878,178	353,787	6,194,162	-	1,135,103	173,561,230	175,116,429
Medical and surgical	20,560,895	115	17,110	-	2,286	20,580,406	17,834,084
Pharmaceutical	12,302,089	-	76,898	-	262	12,379,249	13,193,164
Laboratory and radiology	9,589,701	43	300,169	-	1,997	9,891,910	5,048,545
Food	907,011	-	-	-	5,054	912,065	1,469,368
Housekeeping, laundry and linen	3,500,117	169	46,813	-	306	3,547,405	2,074,759
Utilities, insurance and property taxes	4,557,507	-	279	-	-	4,557,786	4,886,408
Plant operations	5,853,024	2,424	396,861	-	253,877	6,506,186	6,349,989
Printing, stationery and telephone	1,644,111	16,991	132,308	-	71,223	1,864,633	1,870,992
Other supplies and services	3,998,347	100,670	1,425,118	-	1,207,255	6,731,390	7,655,206
Information technology services	3,310,824	-	-	-	-	3,310,824	1,906,417
Interest	-	712,222	34,805	7,232,293	-	7,979,320	7,213,676
Amortization	-	7,723	-	12,146,350	-	12,154,073	11,275,014
Loss on transfer of capital assets (note 4)	-	-	-	109,599	-	109,599	-
	232,101,804	1,194,144	8,624,523	19,488,242	2,677,363	264,086,076	255,894,051
Excess of revenue over expenses (expenses over revenue) before the undernoted	(227,321)	8,284	(204,925)	(784,742)	34,774	(1,173,930)	(4,485,644)
Future employee benefits (notes 7 and 13):							
Revenue - prior year, Winnipeg Regional Health Authority	4,028,066	-	-	-	-	4,028,066	-
Revenue - current year, Winnipeg Regional Health Authority	1,044,230	-	-	-	-	1,044,230	-
Expense - current year	(1,044,230)	-	-	-	-	(1,044,230)	(5,775,695)
	4,028,066	-	-	-	-	4,028,066	(5,775,695)
Net surplus (deficit)	3,800,745	8,284	(204,925)	(784,742)	34,774	2,854,136	(10,261,339)
Fund balances, beginning of year	(12,599,551)	(1,845,837)	(7,431,719)	14,447,611	6,170,487	(1,259,009)	9,002,330
Inter-fund transfer, capital	-	(1,163,343)	(107,704)	1,345,814	(74,767)	-	-
Fund balances, end of year	$ (8,798,806)	$ (3,000,896)	$ (7,744,348)	$ 15,008,683	$ 6,130,494	$ 1,595,127	$ (1,259,009)

The accompanying notes are an integral part of the consolidated financial statements.

ST. BONIFACE GENERAL HOSPITAL

Consolidated Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Net surplus (deficit)	$ 2,854,136	$ (10,261,339)
Adjustments for:		
Amortization of capital assets	12,123,416	11,249,724
Amortization of deferred charges	30,657	25,290
Amortization of deferred contributions - capital assets	(11,471,207)	(10,609,307)
Loss on transfer of capital assets	109,599	-
Net gain on sale of investments	(552,660)	-
Net change in non-cash operating working capital:		
Accounts receivable	(3,024,149)	(4,297,707)
Receivable from related parties	(1,191,438)	3,218,284
Inventories	258,280	355,185
Prepaid expenses	20,983	684,923
Current portion of future employee benefits recoverable from Winnipeg Regional Health Authority	(4,028,066)	-
Accounts payable and accrued expenses	5,601,220	828,535
Interest payable on long term debt	34,806	72,223
(Increase) decrease in future employee benefits recoverable from Winnipeg Regional Health Authority	(1,009,592)	50,422
Increase in future employee benefits payable	1,010,132	5,725,812
Increase (decrease) in deferred contributions - expenses of future years	106,925	(233,442)
	873,042	(3,191,397)
Investing activities:		
Capital assets acquired	(22,296,298)	(27,426,021)
Net proceeds on sale of investments	552,660	-
Decrease in investments	657,554	3,481,551
	(21,086,084)	(23,944,470)
Financing activities:		
Increase in deferred charges	(3,069)	(76,014)
Increase in deposits with trustee for debentures	(4,147,811)	(1,583,839)
Increase (decrease) in bank borrowings	(11,459,342)	12,690,195
Principal repayments on long term debt	(369,377)	(348,612)
Increase in deferred contributions - capital assets	38,544,380	9,041,617
	22,564,781	19,723,347
Increase (decrease) in cash position	2,351,739	(7,412,520)
Cash position, beginning of year	(1,773,571)	5,638,949
Cash position, end of year	$ 578,168	$ (1,773,571)
Cash position is comprised of:		
Cash (bank indebtedness)	$ 578,168	$ (2,438,948)
Marketable securities	-	665,377
	$ 578,168	$ (1,773,571)
Supplementary information:		
Interest paid	$ 7,944,515	$ 7,141,453

The accompanying notes are an integral part of the consolidated financial statements.

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1. Purpose of the organization:

St. Boniface General Hospital (the Hospital) was established in 1871 by the Sisters of Charity of Montreal (Grey Nuns) and is a teaching, research and tertiary health care organization sponsored by the Catholic Health Corporation of Manitoba. In conformance with the traditions of the Grey Nuns, the Mission of the Hospital includes:

- meeting the needs of the people in the community through excellence in patient care, in an environment respectful of the spiritual and physical dignity of the individual;
- providing leadership in research and education which reflects the compassionate care of the persons served; and
- respecting the diversity of cultural and ethnic heritage of those served, while recognizing a special responsibility to the Francophone community in Manitoba.

2. Significant accounting policies:

(a) Principles of consolidation:

These financial statements include the accounts of the Hospital and its wholly owned subsidiaries, Technology 2000 Inc. and 5036381 Manitoba Ltd. All significant inter-company transactions and balances have been eliminated.

(b) Fund accounting:

Revenue and expenses related to patient care program delivery are reported in the Insured Services Fund.

The Ancillary Fund includes revenue and expenses related to ancillary operations including retail operations.

The Research Enterprises Fund includes revenue and expenses related to research operations, programs, subsidiaries, and equity investments. It consists of unrestricted and externally restricted funds.

The Capital Fund reports the revenue and expenses related to the Hospital's capital assets, equipment, and construction projects.

The Restricted Fund consists of externally and internally restricted funds. The use of the funds includes support for research, education, and clinical program activities. Externally restricted funds are held for specific use as designated by the donor, grantor, or other contributor. Internally restricted funds represent funds that the Hospital has designated for specific purposes.

(c) Revenue recognition:

The Hospital follows the deferral method of accounting for contributions as follows:

- restricted contributions are recognized as revenue of the appropriate fund in the year in which related expenses are incurred;
- unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount can be reasonably assured;
- non-cash contributions are recorded at fair value on the date of contribution; and
- contributions restricted for the purchase of capital assets are deferred and amortized as revenue at a rate corresponding with the amortization rate of the related capital assets.

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2. Significant accounting policies, continued:

(d) Contributed services:

Volunteers are an integral part of carrying out the activities of the Hospital. Contributed services are not recognized in the financial statements because of the difficulty in determining their fair market value.

(e) Inventories:

Inventories of supplies are valued at average cost.

(f) Marketable securities and investments:

Marketable securities are recorded at cost. Investment premiums and discounts are amortized on a straight-line basis over the life of the investment. Should there be a permanent decline in the carrying value of investments, a provision for estimated losses would be recorded.

Investments with significant influence are accounted for under the equity method. Other investments are accounted for using the cost method.

(g) Capital assets:

Land holdings are carried at market value as appraised on January 7, 1986. The increase resulting from this appraisal is recorded in the Capital Fund.

All capital asset purchases over $2,000 are recorded at cost and capitalized in the Capital Fund. Contributed capital assets are recorded at fair value on the date of contribution. Interest on interim financing for construction projects is capitalized as part of the construction cost until substantial completion of the project.

Amortization of capital assets is provided on a straight-line basis at rates estimated to amortize the assets over their useful lives. The amortization rates applicable to the various classes of assets are as follows:

Buildings	50 years
Building service upgrades	20 years
Furniture and equipment	10 years
Computer equipment	5 years

(h) Deferred charges:

Debenture issue costs are amortized on a straight-line basis over the term of the debenture.

Deferred lease costs are amortized over the term of the leases.

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2. Significant accounting policies, continued:

(i) Employee benefits:

The cost of the Hospital's future retirement benefits is accrued as earned by the employees based on an actuarial estimation. The estimation of the future retirement benefits has been performed using the projected benefit method pro-rated on services. Under this method, the present value of benefits accrued is determined based on projected final earnings.

Eligible employees of the Hospital are members of the Healthcare Employee Pension Plan – Manitoba (the "Plan"), a multi-employer defined benefit pension plan. As individual entities within the Plan are not able to identify their share of the underlying assets and liabilities, the Hospital is accounting for the Plan as a defined contribution plan. The cost of the Plan is recognized based on contributions required to be made during each period. The Hospital's liability under the Plan is limited to the contributions required during the year.

The cost of the Hospital's vacation benefits is accrued when the benefits are earned by the employees and is reported in accounts payable and accrued liabilities on the Consolidated Statement of Financial Position. The Winnipeg Regional Health Authority provides funding for vacation benefits payable on an annual basis and this amount is reported in accounts receivable on the Consolidated Statement of Financial Position.

(j) Insured Services Fund:

The Hospital is funded primarily by the Winnipeg Regional Health Authority. The Hospital's Operating Agreement with the Winnipeg Regional Health Authority expired March 31, 2007, however it continues to be in effect until a new agreement is finalized. If there is an operating surplus in the current fiscal year, a portion of the surplus may be repayable to the Winnipeg Regional Health Authority.

(k) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

3. Related parties:

(a) St. Boniface General Hospital Auxiliary Inc. (Auxiliary):

The Auxiliary is a corporation without share capital, whose Member is the Hospital. The Auxiliary operates revenue generating services for patients, families, visitors, and staff and grants funds to be used to assist in the care, comfort, and welfare of Hospital patients. The Auxiliary is incorporated under the laws of Manitoba and is a registered charity under the Income Tax Act.

During the year, the Auxiliary granted $308,500 (2006 - $120,400) to the Hospital to be used for purposes agreed upon with the Auxiliary. The Hospital provided services to the Auxiliary that generated revenue of $80,400 (2006 - $78,800).

3. Related parties, continued:

The Auxiliary has not been consolidated in the Hospital's financial statements. Summary financial information of the Auxiliary for the years ended December 31 is as follows:

		2006		2005
Financial position				
Total assets	$	717,425	$	700,764
Total liabilities		196,031		194,805
Total fund balances		521,394		505,959
		717,425		700,764
Results of operations				
Total revenue	$	612,932	$	626,730
Total grants, cost of goods sold and expenses		597,497		615,919
Excess of revenue over expenses		15,435		10,811
Cash flows				
Cash (used in) provided by operations	$	(21,838)	$	103,642
Cash used in investing activities		(47,587)		-
Increase (decrease) in cash		(69,425)		103,642

(b) St. Boniface Hospital & Research Foundation Inc. (Foundation):

The Hospital exercises significant influence over the Foundation. The Foundation was established to raise funds for the use of the Hospital and of other organizations in the community with objectives similar to those of the Hospital. The Foundation is incorporated under the laws of Manitoba and is a registered charity under the Income Tax Act. During the year, the Foundation granted $6,419,700 (2006 - $1,734,000) to the Hospital to be used for purposes as directed by the Foundation.

(c) St. Boniface General Hospital Parkade Inc. (Parkade Inc.):

The Hospital exercises significant influence over Parkade Inc. Parkade Inc. is incorporated under the laws of Manitoba as a not-for-profit organization and is exempt from income tax under Section 149 of the Income Tax Act.

During the year, the Hospital leased land to and provided services to Parkade Inc. which generated revenue of $90,000 (2006 - $357,000). Effective July 1, 2006 the land lease was transferred to Dorais Charities Inc.

Investments include the mortgage of $2,571,620 (2006 - $3,029,137) to Parkade Inc. maturing March 15, 2019. Interest was charged at the rate of 8% per annum until March 15, 2006, when it was adjusted to 4.2% for the remaining term of the mortgage. This rate is based on the average yield of Alberta and Saskatchewan provincial bonds of similar term. During the year, the Hospital generated $117,700 (2006 - $250,300) of interest revenue on the mortgage. Mortgage payments are $48,000 per month including principal and interest. Under the current terms it is estimated the mortgage will retire by March 15, 2012. The mortgage covers the parkade structure and the leasehold title for the land on which the parkade is situated.

3. Related parties, continued:

(d) Biovan Inc. (Biovan):

The Hospital exercises significant influence over Biovan, a corporation in which the Hospital has an equity investment. The Hospital did not provide any supplies and services to Biovan in either 2007 or 2006.

(e) Dorais Charities Inc. (Dorais):

During the year, the Hospital had transactions with Dorais, a corporation without share capital whose Member is the same as that of the Hospital. Dorais granted $800,000 (2006 - $800,000) to the Hospital to be used for purposes agreed upon by Dorais and the Hospital.

The Hospital also leased land to and provided services to Dorais which generated revenue of $263,800 (2006 - $ nil). The land lease between the Hospital and Dorais expires on September 13, 2027.

(f) Included in receivable from related parties is:

	2007	2006
St. Boniface Hospital & Research Foundation Inc.	$ 3,411,862	$ 2,233,314
St. Boniface General Hospital Parkade Inc.	4,646	8,972
St. Boniface General Hospital Auxiliary Inc.	33,497	16,281
	3,450,005	2,258,567
Less: current portion	3,450,005	1,258,567
	$ -	$ 1,000,000

4. Capital assets:

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Buildings and building service upgrades	$ 206,980,842	$ 62,394,288	$ 144,586,554	$ 127,406,950
Furniture, equipment and computers	178,961,267	142,833,260	36,128,007	35,395,662
Construction in progress	2,751,931	-	2,751,931	11,998,046
Land	7,400,000	-	7,400,000	7,400,000
	$ 396,094,040	$ 205,227,548	$ 190,866,492	$ 182,200,658

On January 7, 1986 the land held by St. Boniface General Hospital was appraised. The increase of $7,306,000 resulting from this appraisal is recorded in the Capital Fund (note 14).

The replacement cost of buildings and equipment determined for the purpose of calculating insurable values in 2007 is approximately $357,000,000.

4. Capital assets, continued:

Interest capitalized during construction was $241,300 (2006 - $617,400).

During the year, the Hospital transferred ownership of its laboratory capital assets to Diagnostic Services of Manitoba Inc. The assets were transferred at an amount equal to their net book value ($1,507,048). The related balance of unamortized deferred contributions was $1,397,449, resulting in a loss on transfer of capital assets of $109,599.

5. Deferred charges:

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Debenture issue costs	$ 458,672	$ 308,095	$ 150,577	$ 173,511
Deferred lease costs	79,082	10,078	69,004	73,658
	$ 537,754	$ 318,173	$ 219,581	$ 247,169

6. Employee pension plan:

Eligible employees of the Hospital are members of the Healthcare Employees Pension Plan – Manitoba, a multi-employer defined benefit pension plan.

The most recent actuarial valuation of the plan as at December 31, 2005, reported that the plan had a going-concern deficiency and a solvency deficiency. Deficiencies are addressed either through pension benefit reductions or rate increases.

During the year, the Hospital contributed $8,351,000 (2006 - $7,757,000) on behalf of its employees. Contribution rates increased on July 1, 2006 to 6.6% of pensionable earnings up to the yearly maximum pensionable earnings limit (YMPE) and 8.2% on earnings in excess of the YMPE. As of July 1, 2007, contribution rates will increase to 6.8% and 8.4% respectively.

7. Future employee benefits:

The Winnipeg Regional Health Authority has agreed to fund the future employee benefits payable existing at March 31, 2004 plus the increase in the liability for the year ended March 31, 2007. These are recorded as recoverable on the consolidated financial statements. Manitoba Health has guaranteed payment of these amounts, but has not communicated the terms of repayment. The amount of the receivable has been recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by the Winnipeg Regional Health Authority, a significant contributor to the Hospital. The fair value of the receivable on a discounted basis could be significantly less than the carrying value and the difference would be materially influenced by the effective discount rate utilized.

Increases in the liability for the years ended March 31, 2005 and March 31, 2006 totaled $925,712 and $5,775,695 respectively and were reflected in the consolidated statements of operations during these years. During the year, the Winnipeg Regional Health Authority approved partial funding related to these deficits of $4,028,066 which is included in current accounts receivable on the consolidated statement of financial position (note 13).

The significant actuarial assumptions adopted in measuring the Hospital accrued retirement benefits include mortality and withdrawal rates, a discount rate of 4.85% (2006 – 5.00%) and a rate of salary increase of 3.00% (2006 – 3.00%) plus an age related merit/promotion scale with no provision for disability.

8. Deposits with trustee for debentures:

Manitoba Health deposits with the trustee the amounts required by the trust indentures for principal and interest payments on the debentures (note 11). The deposits with the trustee consist of the following:

	2007	2006
Series "D":		
Short-term investments interest rates 4.10% to 4.25% (2006 – rates 3.55% to 3.75%) maturing July 13, 2007 (2006 – July 14, 2006)	$ 6,495,067	$ 4,854,100
Long-term investments in provincial government bonds interest rates 5.75% to 6.00% (2006 – 5.75% to 6.00%) maturing June 9, 2008 (2006 – June 9, 2008)	14,330,487	14,330,487
Total Series "D"	20,825,554	19,184,587
Series "E":		
Short-term investments interest rates 4.05% to 4.10% (2006 – 3.40% to 3.75%) maturing May 31, 2007 (2006 – May 31, 2006)	11,592,556	9,085,712
Long-term investment in provincial government bond interest rate 5.25% (2006 – 5.25%) maturing April 24, 2013 (2006 – April 24, 2013)	10,051,780	10,051,780
Total Series "E"	21,644,336	19,137,492
	$ 42,469,890	$ 38,322,079

The fair values of the short-term investments approximate their carrying values due to the short-term nature of these investments. The fair value of the Series "D" long-term investments is estimated at $14,609,000 (2006 - $14,841,000). The fair value of the Series "E" long-term investment is estimated at $10,651,000 (2006 - $10,581,000). The fair values were determined using the market prices.

Manitoba Health has committed to provide sufficient funds to retire the debentures as they come due.

9. Investments:

	2007	2006
Mortgage (note 3)	$ 2,571,620	$ 3,029,137
Bonds	400,000	600,000
Shares in biotechnology corporations	230	267
	2,971,850	3,629,404
Less: current portion	677,107	657,517
	$ 2,294,743	$ 2,971,887

All investments in shares in biotechnology corporations are accounted for using the cost method.

During the year, the Hospital wrote off its 45.5% interest in Biovan Inc., recognizing a loss on write down of $37. During the year the Hospital also sold all of its shares in Medicure Inc. (with nil cost), recognizing a gain on sale of $552,697.

9. Investments, continued:

The fair value of the mortgage is estimated at $2,567,000 (2006 - $2,967,000). The fair value was determined using estimated market rates available to the Hospital for the same or similar instruments.

The fair value of the bonds is estimated at $399,000 (2006 - $595,000). The fair value was determined using the market prices.

It is not practical to determine the fair value of the other share investments due to their underlying terms and conditions.

10. Bank borrowings:

Bank borrowings are unsecured, due on demand, with interest at a rate of the bank prime less 0.75%. Bank borrowings represent interim financing for capital projects and will be repaid by allowances provided by the Winnipeg Regional Health Authority.

11. Long term debt:

	2007	2006
Debentures:		
Series "D", 10.25% maturing July 15, 2008	$ 23,000,000	$ 23,000,000
Series "E", 8.69% maturing May 30, 2016	51,500,000	51,500,000
	74,500,000	74,500,000
Loans:		
Hospital, 5.8% maturing September 30, 2014	11,513,675	11,883,052
Technology 2000 Inc.	522,000	522,000
	12,035,675	12,405,052
	86,535,675	86,905,052
Less: current portion	391,400	891,378
	$ 86,144,275	$ 86,013,674

Debentures:

Series "D" has a sinking fund provided at a rate of 2.5% or $575,000 per annum. Series "E" has a sinking fund provided at a rate of 3% or $1,545,000 per annum.

The debentures are a direct and general obligation of the Hospital and are fully secured by a first and prior assignment of subsidies payable by or under the authority of Manitoba Health sufficient to meet the principal and interest payments.

Loans:

The 5.8% Hospital loan maturing on September 30, 2014 has monthly payments, including principal and interest, of $87,400. The loan is secured by an assignment of existing and future leases and rents related to the Atrium. In accordance with the terms of the loan agreement, the Hospital cannot sell, transfer, assign, mortgage, lease, encumber, or otherwise dispose of any building or land associated with or related to the Atrium without the Lender's prior consent.

11. Long term debt, continued:

The Technology 2000 Inc. loan is from the Government of Canada, through the Western Economic Diversification Program. The loan is unsecured and the full balance was due on April 1, 1999. Interest is payable, effective April 1, 1999, on any unpaid balance at the Bank of Canada rate plus 3% compounded monthly. Under a Compromise Settlement Agreement accepted October 23, 2006, effective September 13, 2006 no further interest is accrued and unless there is default under the agreement and subject to receipt of any payment, any part of the balance remaining unpaid three years after the agreement was signed shall be forgiven.

Principal payments (excluding the Technology 2000 Inc. loan) and sinking fund provisions of the long term debt over the next five years are approximately as follows:

	Principal Provisions	Sinking Fund Payments
2008	$ 391,400	$ 2,120,000
2009	23,414,700	1,736,700
2010	439,400	1,545,000
2011	465,600	1,545,000
2012	493,300	1,545,000

The fair values of the debentures are estimated as follows:

	2007	2006
Series "D"	$ 24,690,040	$ 25,988,620
Series "E"	66,157,415	70,069,355
	$ 90,847,455	$ 96,057,975

The fair values of the debentures were determined using estimated market values. The fair value of the Hospital loan is estimated at $11,873,000 (2006 – $12,400,000) and was determined using estimated market rates available to the Hospital for the same or similar instruments. It is not practical to determine the fair value of the Technology 2000 Inc. loan due to the underlying terms.

12. Deferred contributions relating to:

(a) Expenses of future years:

Deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in subsequent years. Changes in the deferred contributions balance are as follows:

	2007	2006
Balance, beginning of year	$ 8,874,857	$ 9,108,299
Amount received	7,703,276	7,394,289
Amount recognized as revenue	(7,134,946)	(7,460,869)
Transfer to deferred contributions – capital assets	(461,405)	(166,862)
Balance, end of year	$ 8,981,782	$ 8,874,857

12. Deferred contributions, continued:

(b) Capital assets:

Deferred contributions represent the unamortized amount and unspent amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the consolidated statement of operations and changes in fund balances. Changes in the deferred contributions balance are as follows:

	2007	2006
Balance, beginning of year	$ 102,597,152	$ 104,164,842
Amount received	38,082,975	8,981,358
Reduction of deferred contributions – capital assets, due to transfer of capital assets (note 4)	(1,397,449)	(106,603)
Transfer from deferred contributions – expenses of future years	461,405	166,862
Amount amortized to revenue	(11,471,207)	(10,609,307)
Balance, end of year	$ 128,272,876	$ 102,597,152

The balance of capital deferred contributions consists of the following:

	2007	2006
Unamortized capital contributions	$ 125,292,671	$ 101,371,581
Unspent contributions	2,980,205	1,225,571
	$ 128,272,876	$102,597,152

The above unamortized capital contributions of $125,292,671 include contributions received from the Province of Manitoba to pay down third party borrowings that were utilized for the purchase of capital assets. The Hospital has executed promissory notes for these contributions. The promissory notes are payable to the Province of Manitoba and the payment of these liabilities is guaranteed and funded by the Province of Manitoba. No revenue or expense will be recorded in connection with their extinguishment. The balances of the promissory notes are as follows:

	2007	2006
6.55% maturing January 31, 2012, principal repayments of $2,090,909 per annum	$ 10,106,061	$ 12,196,970
4.90% maturing March 29, 2015, principal repayments of $1,200,000 per annum	9,600,000	10,800,000
4.95% maturing November 30, 2023, principal repayments of $1,058,823 per annum	17,647,059	-
	$ 37,353,120	$ 22,996,970

13. Insured Services Fund:

The balance is comprised of:

	2007	2006
Deficit due to unfunded future employee benefits (note 7)	$ (2,673,341)	$ (6,701,407)
Deficit due to balance of health care operations	(6,125,465)	(5,898,144)
	$ (8,798,806)	$ (12,599,551)

14. Capital Fund:

The balance is comprised of:

	2007	2006
Excess of appraised value over the original cost of land	$ 7,306,000	$ 7,306,000
Net amount invested in capital assets	7,702,683	7,141,611
	$ 15,008,683	$ 14,447,611

15. Commitments:

(a) Contractual arrangements:

The Hospital is obligated, under contractual arrangements for purchased services, premises, and equipment for periods up to fifteen years. The future minimum payments under the terms of the contractual arrangements for the next five years are as follows:

2008	$ 769,100
2009	572,700
2010	501,100
2011	199,200
2012	40,500

(b) Capital expenditures:

The Hospital has commitments for capital expenditures of $7,400,000 in the next year.

(c) Patient food services:

Under the terms of an agreement with the Winnipeg Regional Health Authority – Logistics Services, the Hospital is committed to acquiring patient food services and related management services through the regional distribution facility. The commitment is for a period of 20 years effective October, 1998.

(d) Cardiac Services Enhancement:

The Hospital is committed to fund the remaining $1,491,000 of its $6,000,000 contribution towards a planned $20,000,000 capital project for cardiac services. The Research Foundation has committed to fund the Hospital's contribution towards this project.

15. Commitments, continued:

(e) Research Enterprises:

The Hospital is committed to contribute $7,600,000 over a five year period commencing in 2006 in the form of personnel, infrastructure and overhead towards collaborative research with Agriculture and Agri-Food Canada (AAFC) and the University of Manitoba for the study of nutraceuticals and functional foods. As at March 31, 2007, the Hospital's remaining commitment is $4,363,000.

The Hospital is also committed to fund up to $2,500,000 towards the further development of research space on the Hospital premises. The Research Foundation has committed to fund the Hospital's contribution. As at March 31, 2007, the Research Foundation's outstanding commitment is $1,530,000.

(f) Contribution agreements:

In accordance with the terms of contribution agreements with the Government of Manitoba for construction projects, the Hospital cannot sell, lease or dispose of its interest in either the buildings or the land where these projects are located, without the prior written consent of the Government of Manitoba.

16. Contingencies:

The Insured Services Fund Statement of Operations for the years ended March 31, 2005 to March 31, 2007 are subject to review by the Winnipeg Regional Health Authority. Amounts recoverable from (owing to) the Winnipeg Regional Health Authority arising from these reviews are not determinable and are recorded in the year of the review.

Due to the nature of the Hospital's business, it is not uncommon for the Hospital to be subject to lawsuits and claims. The Hospital's insurance coverage minimizes the risk of loss.

17. Fair value:

The fair values of accounts receivable, receivable from related parties, accounts payable and accrued expenses, interest payable on long term debt and bank borrowings approximate their carrying values due to their short-term nature. The fair value of future employee benefits recoverable from the Winnipeg Regional Health Authority is addressed in note 7. The fair values of deposits with trustee for debentures, investments, and long term debt are disclosed in notes 8, 9, and 11 respectively.

18. Comparative figures:

Comparative figures are reclassified where necessary to conform with the presentation adopted for the current year's financial statements.

Deloitte

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AUDITORS' REPORT

To the Board of Directors of
St. Joseph's Residence Inc.

We have audited the statement of financial position of St. Joseph's Residence Inc. as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Residence's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Residence as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP
Chartered Accountants

Winnipeg, Manitoba
May 29, 2007

ST. JOSEPH'S RESIDENCE INC.

Statement of Operations

Year ended March 31, 2007

	2007	2006
REVENUE		
WRHA	$ **3,793,156**	$ 3,627,972
Residential charges	**1,407,226**	1,413,603
Canada Mortgage and Housing Corporation (Note 6)	**35,946**	53,853
	5,236,328	5,095,428
Amortization of deferred contributions - capital assets	**84,902**	84,852
Recoveries - general	**78,218**	68,852
Cafeteria	**17,371**	21,064
Interest	**55,507**	33,267
Donations	**18,013**	43,174
	254,011	251,209
	5,490,339	5,346,637
EXPENSES		
Salaries and wages	**3,687,587**	3,486,973
Plant operations and maintenance	**300,739**	453,277
Employee benefits	**554,165**	509,602
Dietary	**194,094**	186,196
General services	**184,905**	186,985
Special services	**83,024**	54,646
Depreciation	**98,324**	96,937
Interest on long term debt	**53,063**	66,338
Housekeeping, laundry and linen	**95,188**	77,360
Medical supplies	**80,543**	71,561
Health and education tax	**75,273**	72,256
	5,406,905	5,262,131
SURPLUS FROM OPERATIONS	**83,434**	84,506
Pre-retirement leave recovery	**-**	20,541
SURPLUS FOR THE YEAR	$ **83,434**	$ 105,047

ST. JOSEPH'S RESIDENCE INC.
Statement of Financial Position
March 31, 2007

	2007	2006 (Restated - Note 5)
ASSETS		
CURRENT		
Cash and certificates of deposit	$ **1,291,409**	$ 1,083,780
Cash held in trust	**10,658**	11,868
Accounts receivable	**281,642**	57,810
Inventory	**23,966**	23,044
Prepaid expenses	**11,626**	9,819
Due from WRHA - vacation pay	**248,912**	248,912
	1,868,213	1,435,233
CAPITAL ASSETS (Note 3)	**2,112,550**	1,962,619
DUE FROM WRHA - PRE-RETIREMENT LEAVE	**435,489**	385,477
	$ **4,416,252**	$ 3,783,329
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ **816,492**	$ 546,838
Accrued vacation pay	**288,194**	256,455
Funds held in trust	**10,658**	11,868
Current portion of long-term debt (Note 5)	**128,697**	124,812
	1,244,041	939,973
LONG-TERM DEBT (Note 5)		
Motrgage	**818,591**	914,759
Term Loan	**394,159**	241,737
ACCRUED PRE-RETIREMENT LEAVE (Note 4)	**435,489**	385,477
DEFERRED CONTRIBUTIONS		
EXPENSES OF FUTURE PERIODS (Note 8)	**67,048**	34,785
CAPITAL ASSETS (Note 9)	**611,034**	516,142
MAJOR REPAIRS (Note 10)	**34,188**	22,188
	3,604,550	3,055,061
NET ASSETS		
INVESTED IN CAPITAL ASSETS (Note 11)	**299,905**	287,505
UNRESTRICTED FUND	**511,797**	440,763
	811,702	728,268
	$ **4,416,252**	$ 3,783,329

APPROVED BY THE BOARD

G. Proyl .... Director

L. Taraska .... Director

ST 'OSEPH'S RESIDENCE INC.

Statement of Changes in Net Assets

Year ended March 31, 2007

	2007			2006
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	**$ 287,505**	**$ 440,763**	**$ 728,268**	$ 623,221
Surplus (deficit) for the year	**(13,442)**	**96,876**	**83,434**	105,047
Investment in capital assets (Note 11)	**25,842**	**(25,842)**	**-**	-
Balance, end of year	**$ 299,905**	**$ 511,797**	**$ 811,702**	$ 728,268

ST. JOSEPH'S RESIDENCE INC.

Statement of Cash Flows

Year ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Surplus for the year	$ 83,434	$ 105,047
Items not affecting cash		
Depreciation	98,324	96,937
Amortization of deferred contributions - expenses of future periods	(27,853)	(60,682)
Amortization of deferred contributions - capital assets	(84,902)	(84,852)
	69,003	56,450
Changes in non-cash working capital balances		
Accounts receivable	(223,832)	(16,637)
Inventory	(922)	(1,531)
Prepaid expenses	(1,807)	3,500
Due from WRHA - pre-retirement leave	(50,012)	44,267
Accounts payable and accrued liabilities	269,654	(1,370)
Accrued vacation pay	31,739	16,956
Accrued pre-retirement leave	50,012	(64,808)
	143,835	36,827
FINANCING ACTIVITIES		
Funds held in trust	(1,210)	(764)
Long-term debt repayments	(92,284)	(78,590)
Proceeds of term loan	184,882	-
Term loan repayments	(32,460)	(32,460)
Additional deferred contributions received		
- expenses of future periods	60,116	63,849
- capital assets	179,794	165,873
- major repairs	12,000	12,000
	310,838	129,908
INVESTING ACTIVITIES		
Cash held in trust	1,210	(922)
Capital asset purchases	(249,134)	(49,034)
Proceeds on disposal of capital assets	880	-
	(247,044)	(49,956)
NET INCREASE IN CASH AND CERTIFICATES OF DEPOSIT	207,629	116,779
CASH AND CERTIFICATES OF DEPOSIT, BEGINNING OF YEAR	1,083,780	967,001
CASH AND CERTIFICATES OF DEPOSIT, END OF YEAR	$ 1,291,409	$ 1,083,780
INTEREST PAID	$ 53,390	$ 68,738

1. NATURE OF ORGANIZATION

St. Joseph's Residence Inc. is a not-for-profit corporation, which operates a personal care home. Effective February 13, 2003, the sponsorship of the Residence was transferred from the Sisters of the Order of St. Benedict to the Catholic Health Corporation of Manitoba (CHCM). The Residence is a registered charity under the Income Tax Act and accordingly is exempt from taxes.

2. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Revenue recognition*

The Residence follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, the Residence is funded primarily by the Province of Manitoba in accordance with budget arrangements established by WRHA. Operating grants are recorded as revenue in the period to which they relate.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

b) *Capital assets*

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution.

Capital assets are depreciated on a straight-line basis over the following estimated useful lives:

Building	50 years
Parking lot	20 years
Furniture and equipment	5, 10 years
Building service equipment	20 Years

2. ACCOUNTING POLICIES (continued)

c) *Vacation pay*

The Residence records the accrued vacation pay entitlement liability. The related revenue and expense is recorded in the statement of operations for the current year.

d) *Retirement entitlement obligation*

The Residence has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55 or

ii) qualify for the "eighty" rule which is calculated by adding the number of years of service to the age of the employee.

The Residence has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. The related revenue and expense is recorded in the statement of operations for the current year.

e) *Provision for operating surplus settlement with WRHA*

The Residence records the full amount of its operating surplus as calculated in accordance with the WRHA guidelines as a provision for settlement with WRHA. The actual amount of the settlement is determined after a review of the details by Manitoba Health and negotiation with the Residence. Any difference is recorded subsequently in the statement of operations in the year of settlement.

f) *Contributed services*

Contributed services are recorded at their estimated fair value if the amount can be reasonably estimated.

g) *Inventory*

Inventories of supplies are valued substantially at average cost.

h) *Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes in the Residence's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Residence's assets and liabilities. The value of the Residence's assets is affected by short-term changes in nominal interest rates.

2. ACCOUNTING POLICIES (continued)

i) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Residence. The majority of the current year's accounts receivable balance consists of related party amounts and the remainder are resident receivables, which is consistent with the prior year, and are regarded as low credit risk balances.

j) Fair value

The carrying value of the corporation's financial assets and liabilities reflect their fair values, unless otherwise disclosed.

3. CAPITAL ASSETS

	2007		2006	
	Cost	Accumulated Depreciation	Cost	Accumulated Depreciation
Land	**$ 193,965**	**$ -**	$ 193,965	$ -
Parking lot	**65,604**	**16,551**	65,604	13,271
Building	**2,716,098**	**1,314,657**	2,528,175	1,264,093
Building service equipment	**314,772**	**31,477**	314,772	15,739
Furniture and equipment	**1,249,492**	**1,064,696**	1,189,161	1,035,955
	4,539,931	**2,427,381**	4,291,677	2,329,058
Net Book Value	**$ 2,112,550**		$ 1,962,619	

4. ACCRUED PRE-RETIREMENT LEAVE

The Residence undertook an actuarial valuation of the accrued pre-retirement leave in accordance with accounting policy (Note 2(d)). The significant actuarial assumptions adopted in measuring the Residence's accrued pre-retirement leave include mortality and withdrawal rates, a discount rate of 4.85% (2006 – 5.00%) and a rate of salary increase of 3.0% plus age related merit/promotion scale with nil for disability. Actual payments made during the year for the Residence's pre-retirement leave were $10,446 (2006 -$Nil).

5. LONG-TERM DEBT RESTATED FROM DEFERRED CONTRIBUTIONS

In prior years, the Residence entered into long term arrangements with financial institutions. The Province of Manitoba continues to pay the principal and interest on this long-term debt. During the 2006 fiscal year, the Residence restated the long-term debt as deferred contributions in the financial statements at the direction of the Province. As the legal obligation with the third party has not passed to the Province of Manitoba, the Residence has restated the deferred contributions associated with the third party debt in these statements.

Long-term debt previously included in deferred contributions (Note 9) consists of:

	2007	2006
Mortgage, payable to Canada Mortgage and Housing Corporation, repayable in blended monthly instalments of $11,017, interest rate of 4.17% per annum, due May 1, 2015	**$ 914,828**	$ 1,007,111
Term loan, payable to Toronto Dominion Bank, repayable in monthly principal payments of $2,705, interest rate of prime minus 0.75% per annum, due October 31, 2014	**241,737**	274,197
Term loan, payable to Toronto Dominion Bank, monthly principal payments to commence at completion of underlying project in an amount to be determined on completion of the project, interest rate of prime minus 0.75% per annum	**184,882**	-
Total long-term debt	**1,341,447**	1,281,308
Current portion	**(128,697)**	(124,812)
	$ 1,212,750	$ 1,156,496

The mortgage with the Canada Mortgage and Housing Corporation is secured by a security agreement covering all land, buildings, furniture and equipment and assignment of all residential charges. The term loans are secured by a Letter of Comfort from Manitoba Health.

The principal repayments in each of the next five years are as follows:

Mortgage:	2008	$ 96,237
	2009	100,368
	2010	104,578
	2011	108,969
	2012	113,536
Term loan:	2008	$ 32,460
	2009	32,460
	2010	32,460
	2011	32,460
	2012	32,460

6. CANADA MORTGAGE AND HOUSING PAYMENTS

The Residence has received federal assistance through Canada Mortgage and Housing Corporation pursuant to Section 56.1 of the National Housing Act to reduce mortgage interest expense to 1.5% to enable the project to provide housing to low income individuals. The amount of assistance received in 2007 was $35,946 (2006 - $53,853).

7. RELATED PARTY TRANSACTIONS

During the current year, St. Joseph's Residence Inc. charged $4,290 (2006 - $4,680) to the Friends of St. Joseph's Residence Inc., a related party, for accounting and administration services.

Friends of St. Joseph's Residence Inc. made donations to St. Joseph's Residence Inc. totalling $59,111 (2006 - $56,841).

At March 31, 2007, Friends of St. Joseph's Residence Inc. owed to St. Joseph's Residence Inc. $84,826 (2006 - $35,792).

8. DEFERRED CONTRIBUTIONS – EXPENSES OF FUTURE PERIODS

Deferred contributions related to expense of future periods represent the unspent amount of donations and grants received for expenditures other than the purchase of capital assets. Amortization is recorded as revenue in the statement of operations and matched with expenditures incurred with these funds.

	2007	2006
Balance, beginning of year	$ **34,785**	$ 31,618
Additional contributions	**60,116**	63,849
Distribution for expenses	**(27,853)**	(60,682)
Balance, end of year	$ **67,048**	$ 34,785

9. DEFERRED CONTRIBUTIONS – CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2007					
	Purchased Capital Assets	**Future Capital Assets**	**Contributed Surplus**	**Long-Term Debt - Third Parties (Note 5)**	**Total**	2006 Total
Balance, beginning of year, as previously stated	**$ 104,909**	**$122,336**	**$ 288,897**	**$ 1,281,308**	**$ 1,797,450**	$ 1,827,479
Restatement of long-term debt (Note 5)	**-**	**-**	**-**	**(1,281,308)**	**(1,281,308)**	(1,392,358)
Balance, beginning of year, as restated	**104,909**	**122, 336**	**288,897**	**-**	**516,142**	435,121
Additional contributions received:	**37,550**	**17,500**	**-**	**-**	**55,050**	54,823
Debt repayment	**124,744**	**-**	**-**	**-**	**124,744**	111,050
Amortization	**(75,583)**	**-**	**(9,319)**	**-**	**(84,902)**	(84,852)
Balance, end of year	**$ 191,620**	**$139,836**	**$ 279,578**	**$ -**	**$ 611,034**	$ 516,142

10. DEFERRED CONTRIBUTIONS – MAJOR REPAIRS

Deferred contributions related to major repairs represent the unamortized amount and unspent funding received for major repairs. Amounts are recorded as revenue when applicable expenses are incurred. Changes in the deferred contributions balance are as follows:

	2007	2006
Balance, beginning of year	**$ 22,188**	$ 10,188
Additional contributions	**12,000**	12,000
Balance, end of year	**$ 34,188**	$ 22,188

11. INVESTED IN CAPITAL ASSETS

Invested in capital assets is calculated as follows:

	2007	2006
Capital assets	**$ 2,112,550**	$ 1,962,619
Amounts financed by		
Deferred contributions	**(471,198)**	(393,806)
Mortgage payables	**(914,828)**	(1,007,111)
Term loans	**(426,619)**	(274,197)
	$ 299,905	$ 287,505

Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Depreciation of capital assets included in operations	**$ (98,324)**	$ (96,937)
Amortization of deferred contributions related to capital assets include operations	**84,902**	84,852
	$ (13,442)	$ (12,085)

Net change in invested in capital assets is as follows:

	2007	2006
Purchase of capital assets	**$ 249,134**	$ 49,034
Proceeds on disposal of capital assets	**(880)**	-
Increase in deferred contributions	**(162,274)**	(148,373)
Increase in term loans	**(184,882)**	-
Repayment of term loan	**32,460**	28,966
Loan repayments	**92,284**	82,084
	$ 25,842	$ 11,711

12. PENSION PLAN

Substantially all of the employees of the Residence are members of the Healthcare Employees Pension Plan – Manitoba. The Residence's liability under the pension plan is limited to the contributions required during the year under the respective agreements.

Employer contributions made to the plan during the year by the Residence amounted to $202,607 (2006 - $179,512).

booke
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CHARTERED ACCOUNTANTS

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Auditors' Report

To the Members of
Sexuality Education Resource Centre Manitoba, Inc.

We have audited the statement of financial position of Sexuality Education Resource Centre Manitoba, Inc. as at March 31, 2007, and the statement of operations and statement of changes in fund balances for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the organization derives revenue from the general public in the form of donations, memberships, sales of promotional materials, honoraria and fundraising projects, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to amounts recorded in the records of the organization and we were not able to determine whether any adjustments might be necessary to these revenues, excess of revenues over expenditures, assets and surplus.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007, and the results of its operations and changes in fund balances for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 8, 2007

Sexuality Education Resource Centre Manitoba, Inc.
Operating Fund
Statement of Operations

Year Ended March 31	2007	2006
Revenues (Page 9)	$ 1,485,258	$ 1,187,556
Less: revenues deferred to subsequent fiscal period (Note 5)	(184,572)	(147,660)
Net revenues	1,300,686	1,039,896
Expenditures (Page 10)	1,284,076	1,037,047
Excess of revenues over expenditures from operations	16,610	2,849
Pre-retirement leave (expense) - current (Note 9)	(9,945)	(50,857)
Pre-retirement leave recovery - current (Note 9)	9,945	-
Pre-retirement leave recovery - prior (Note 9)	30,279	-
Excess (deficiency) of revenues over expenditures	$ 46,889	$ (48,008)

See accompanying notes to the financial statements.

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Changes in Fund Balances
Year Ended March 31

	Replacement Reserve	Operating Fund	**2007**	2006
Balance, beginning of year	$ 10,093	$ (8,474)	**$ 1,619**	$ 49,627
Excess (deficiency) of revenues over expenditures	-	46,889	**46,889**	(48,008)
Interfund transfer	5,000	(5,000)	**-**	-
Balance, end of year	$ 15,093	$ 33,415	**$ 48,508**	$ 1,619

See accompanying notes to the financial statements.

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CHARTERED ACCOUNTANTS

Sexuality Education Resource Centre Manitoba, Inc.
Statement of Financial Position

March 31	2007	2006
Assets		
Operating Fund		
Cash and short term deposits	$ 85,207	$ 195,269
Receivables	265,352	31,658
Prepaids	16,756	19,768
	367,315	246,695
Property and equipment (Note 3)	35,034	27,466
	402,349	274,161
Replacement Reserve		
Cash	15,093	10,093
	$ 417,442	$ 284,254
Liabilities		
Operating Fund		
Payables and accruals (Note 4)	$ 98,516	$ 66,953
Deferred revenue (Note 5)	184,572	147,660
	283,088	214,613
Pre-retirement leave (Note 9)	60,802	50,857
Deferred contributions related to property and equipment (Note 6)	25,044	17,165
Fund balance	33,415	(8,474)
	402,349	274,161
Replacement Reserve		
Fund balance	15,093	10,093
	$ 417,442	$ 284,254

Commitments (Note 8)

On behalf of the Board

Susan Taylor Director Kristen Willis Director

See accompanying notes to the financial statements.

1. Purpose of the organization

Sexuality Education Resource Centre Manitoba, Inc. is committed to promoting universal access to comprehensive, reliable information and services by fostering awareness, understanding and support through education on sexuality and related health issues.

The organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing it's financial statements. The significant accounting policies used are as follows:

Revenue recognition

Sexuality Education Resource Centre Manitoba, Inc. follows the deferral method of accounting for revenue.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Fund accounting

Revenue and expenses related to program delivery and administration activities are reported in the Operating Fund.

The Replacement Reserve is available to fund future purchases for capital equipment.

Property and equipment

Property and equipment are recorded at cost. Amortization is provided on the declining balance basis at annual rates estimated to write off the assets over their estimated useful lives as follows:

Furniture and equipment	20%
Computers	20%

2. Significant accounting policies - continued

Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

Financial instruments

Unless otherwise stated in these financial statements, the fair value of the organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Property and equipment

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Winnipeg				
Computers	$ 61,475	$ 37,605	**$ 23,870**	$ 13,510
Furniture and equipment	22,607	13,819	**8,788**	10,985
Brandon				
Computers	10,880	8,535	**2,345**	2,932
Furniture and equipment	663	632	**31**	39
	$ 95,625	$ 60,591	**$ 35,034**	$ 27,466

4. Payables and accruals

	2007	2006
Vacation pay and salary accrual	**$ 36,093**	$ 28,578
Trade	**62,423**	38,375
	$ 98,516	$ 66,953

5. Deferred revenue

Deferred revenue reported in the Operating Fund relates to restricted operating funding received in the current year that is related to the subsequent year.

	2007	2006
Winnipeg Regional Health Authority	$ 40,000	$ -
Province of Manitoba		
Manitoba Health - HIV Training	98,901	-
Manitoba Health - Addressing the Future	3,247	125,421
Manitoba Health - STI	10,000	-
Harm Reduction Network	3,340	-
Government of Canada		
Birth Control Kits	3,545	3,545
Cancercare	6,358	6,358
Health Canada	6,845	-
Klinic	1,610	1,610
Winnipeg Foundation	7,726	7,726
Planned Parenthood Federation of Canada	3,000	3,000
	$ 184,572	$ 147,660

6. Deferred contributions related to property and equipment

Deferred contributions related to property and equipment represent grants and contributions for computers. Deferred contributions are amortized on the statement of operations. Amortization was provided in the current year for $6,944 (2006 - $4,292).

7. Economic dependence

The association is economically dependent upon receiving grants from various funding bodies.

8. Lease commitments

The organization leases office space located at 555 Broadway. The organization has a five year lease which expires August 31, 2009 and which obligates the organization to make annual rental payments totaling $47,515 in the remaining two years.

The organization has a five year lease for the Brandon office which expires December 1, 2009 and which obligates the organization to make annual rental payments totaling $14,400.

9. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by the Winnipeg Regional Health Authority to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre-retirement leave benefits are considered an out-of globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the pre-retirement leave obligation that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year.

Change in obligation	2007	2006
Opening balance	$ 50,857	$ -
Increase in obligation	9,945	50,857
	$ 60,802	$ 50,857

Pre-retirement leave	2007	2006
Prior year recovery	$ (30,279)	$ -
Current year recovery	(9,945)	-
Increase in obligation	9,945	50,857
	$ (30,279)	$ 50,857

10. Statement of cash flows

The statement of cash flows has not been presented as management does not believe that it provides additional meaningful information.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Board of Directors of
THE CONVALESCENT HOME OF WINNIPEG:

We have audited the statement of financial position of **THE CONVALESCENT HOME OF WINNIPEG** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Personal Care Home's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Personal Care Home's operations as outlined in Note 1 of these financial statements, as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Our examination did not include a review of the the 2007 budget figures and consequently, we do not express an opinion on these figures.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
April 26, 2007

THE CONVALESCENT HOME OF WINNIPEG
Statement of Financial Position

March 31	2007	2006
Assets		
Current Assets		
Accounts receivable (Note 2)	$ 56,978	$ 93,537
Prepaid expenses	6,888	7,584
Vacation entitlement receivable (Note 3)	171,526	171,526
	235,392	272,647
Investments (Market value $493,105; 2006 - $476,114)	442,468	449,946
Retirement obligations receivable (Note 3)	266,755	256,668
Restricted cash and deposits (Note 4)	232,606	211,461
Capital assets (Notes 5)	953,756	953,951
	$ 2,130,977	$ 2,144,673
Liabilities and Net Assets		
Current Liabilities		
Bank indebtedness	$ 18,001	$ 172,627
Accounts payable and accrued charges (Note 6)	294,767	218,723
Current portion of long-term debt (Note 8)	27,120	37,668
Accrued vacation pay	191,079	195,738
	530,967	624,756
Accrued retirement obligations	196,072	185,985
Residents' Trust Fund (Note 4)	19,614	18,017
Long-term debt (Note 8)	195,157	252,165
Deferred contributions (Note 9)	620,249	558,931
Net assets (Page 4)	568,918	504,819
	$ 2,130,977	$ 2,144,673

Approved on behalf of the Board:

Carol D. Allan Director

J. Souyri Director

THE CONVALESCENT HOME OF WINNIPEG
Statement of Changes in Net Assets

For the year ended March 31				2007	2006
	Invested in Capital Assets	Adult Day Program	Unrestricted	Total	Total
Balance, beginning of year	**$ 484,111**	**$ 7,027**	**$ 13,681**	**$ 504,819**	$ 406,957
Excess (deficiency) of revenue over expenditures for the year (Pages 5 and 6)	**(1,243)**	**2,372**	**62,970**	**64,099**	97,862
Principal repayments not funded	**26,837**	**-**	**(26,837)**	**-**	-
Balance, end of year (Page 3)	**$ 509,705**	**$ 9,399**	**$ 49,814**	**$ 568,918**	$ 504,819

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Operating

For the year ended March 31			2007		2006
	Budget	Operations	Capital	Actual	Actual
Revenue					
Winnipeg Regional Health Authority	$ 2,777,820	$ 2,779,769	$ -	$ 2,779,769	$ 2,745,543
Residential charges	1,368,360	1,407,792	-	1,407,792	1,349,216
Offset income	31,000	35,513	-	35,513	36,005
Interest income	11,640	19,195	-	19,195	8,480
Donations	-	-	-	-	1,693
Amortization of deferred contributions related to capital assets (Note 9)	-	-	78,683	78,683	49,955
Gain on sale of investments	-	20,014	-	20,014	-
	4,188,820	4,262,283	78,683	4,340,966	4,190,892
Expenditures					
Operating (Page 19)	4,118,360	4,184,261	-	4,184,261	4,121,331
Interest on long-term debt	16,200	15,052	-	15,052	5,489
Amortization of capital assets	79,900	-	79,926	79,926	86,977
	4,214,460	4,199,313	79,926	4,279,239	4,213,797
Excess (deficiency) of revenue over expenditures for the year before other items	(25,640)	62,970	(1,243)	61,727	(22,905)
Other Items					
Retirement obligation					
WRHA funding accrued	-	10,087	-	10,087	-
Decrease (increase) in liability for the year	-	(10,087)	-	(10,087)	111,978
Vacation entitlement recovery	-	-	-	-	8,735
Excess (deficiency) of revenue over expenditures for the year (Page 4)	$ (25,640)	$ 62,970	$ (1,243)	$ 61,727	$ 97,808

THE CONVALESCENT HOME OF WINNIPEG
Statement of Operations - Adult Day Program

For the year ended March 31	2007		2006
	Budget	**Actual**	Actual
Revenue			
Winnipeg Regional Health Authority	$ 36,624	$ 38,061	$ 35,208
Participants' fees	6,300	5,003	5,047
	42,924	43,064	40,255
Expenditures			
Accrued vacation	720	(1,714)	747
Administration fee	480	480	468
Employee benefits	2,112	3,665	2,936
Food	4,680	3,540	4,450
Manitoba Health and Education Tax	360	462	300
Other supplies	2,652	585	1,476
Salaries	18,720	21,706	18,111
Transportation	13,200	11,968	11,713
	42,924	40,692	40,201
Excess of revenue over expenditures for the year (Page 4)	$ -	$ 2,372	$ 54

THE CONVALESCENT HOME OF WINNIPEG
Statement of Cash Flows

For the year ended March 31		2007		2006
Cash Flows from Operating Activities				
Excess of revenue over expenditures for the year				
Operating and capital	$	**61,727**	$	97,808
Adult Day Program		**2,372**		54
Adjustments for				
Amortization of capital assets		**79,926**		86,977
Net increase (decrease) in deferred contributions		**61,318**		(106,801)
Change in resident trust funds		**1,597**		(1,765)
		206,940		76,273
Changes in non-cash working capital		**98,553**		(18,880)
		305,493		57,393
Cash Flows from Financing Activities				
Long-term debt		**(67,556)**		237,714
Pre-retirement leave		**10,087**		(111,978)
		(57,469)		125,736
Cash Flows from Investing Activities				
Purchase of capital assets		**(79,731)**		(50,118)
Disposal (purchase) of investments		**7,478**		(170,623)
		(72,253)		(220,741)
Net increase (decrease) in cash and cash equivalents		**175,771**		(37,612)
Cash and cash equivalents, beginning of year		**38,834**		76,446
Cash and cash equivalents, end of year	$	**214,605**	$	38,834
Represented by:				
Operations	$	**(18,001)**	$	(172,627)
Restricted		**232,606**		211,461
	$	**214,605**	$	38,834

Revenue Recognition

The Home follows the deferral method of accounting for contributions which include donations and government grants.

Under the Health Insurance Act and regulations thereto, The Home is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of an accounting period are accrued. Where a portion of a grant related to a future period, it is deferred and recognized in that subsequent period. These financial statements reflect agreed arrangements approved by the Winnipeg Regional Health Authority (WRHA) with respect to the year ended March 31, 2007.

With respect to actual operating results, certain adjustments to funding will be made by the WRHA after completion of their review of The Home's accounts as follows:

a) Deficits - The WRHA shall not be responsible for past or future deficits of The Home in providing the services and debt service charges for any debt incurred resulting from operating deficits unless the parties otherwise mutually agree.

   The WRHA shall not be responsible for the costs incurred by The Home other than those set forth in the service purchase agreement dated April 30, 2002, which continues in effect until March 31, 2007 unless terminated sooner in accordance with the agreement.

b) Surpluses - The Home may unconditionally retain the greater of 50% of its operating surplus in any fiscal year and 2% of the global budget indicated in its funding letter from the WRHA for such fiscal year. Any surplus beyond the foregoing levels shall be remitted to the WRHA on demand.

Major Repairs Fund and Equipment Replacement Fund

The Home has established Funds to provide for major repairs and replacements of equipment. The amounts to be appropriated for these purposes each year are approved by the Winnipeg Regional Health Authority.

THE CONVALESCENT HOME OF WINNIPEG
Summary of Significant Accounting Policies

March 31, 2007

Capital Assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to The Home's ability to provide services, its carrying amount is written down to its residual value.

Capital assets are amortized on a straight-line basis using the following annual rates:

Building	2%
Computer equipment	33%
Computer software	33%
Furniture and equipment	20%

Employee Future Benefits

Pension and other employee future benefit costs are determined using the projected benefit method prorated on years of service and based on best estimate assumptions.

Contributed Services

A substantial number of volunteers contribute a significant amount of their time each year. Because of the difficulty of determining the fair value, contributed services are not recognized in the financial statements.

Investments

Investments are recorded at cost. If the market value of investments becomes lower than cost and this decline in value is considered to be other than temporary, the investments are written-down to market value.

Financial Instruments

The Home's financial instruments consist of restricted cash, accounts receivable, vacation entitlement receivable, retirement obligation receivable, bank indebtedness, accounts payable, accrued vacation pay, accrued retirement obligations and long-term debt. Unless otherwise noted, it is management's opinion that The Home is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

1. Entity Definition

The Home is incorporated under the laws of Manitoba and its principal activities include personal care of individuals who require long-term care.

These financial statements present the financial position and results of operations of the Personal Care Home. As such, these financial statements do not include the assets, liabilities, equity, revenues and expenses of The Convalescent Home of Winnipeg - Benefit Fund.

2. Accounts Receivable

	2007	2006
Winnipeg Regional Health Authority		
Pre-retirement leave	**$ 59,440**	$ 59,440
Payment received in advance	**-**	(127,741)
Companion services	**39,599**	40,059
Gastric feed	**13,138**	13,138
Loan funding variance	**69,674**	114,558
Other	**4,676**	4,690
MNU and MNU related salary increases	**15,042**	120,583
Capital asset funding (century tubs and lifts)	**67,478**	-
Median increase	**-**	21,002
Non-union support related increases	**-**	23,396
	269,047	269,125
Residential charges payable	**(229,810)**	(190,378)
Net receivable from WRHA	**39,237**	78,747
Receivable from residents	**3,157**	(4,788)
Accrued interest	**1,500**	-
G.S.T. receivable	**8,589**	10,106
Tri-Benefit Fund receivable	**4,495**	9,472
	$ 56,978	$ 93,537

3. Current and Future Employee Benefits Recoverable from Manitoba Health

Employee retirement obligations are accrued as incurred based on an actuarial estimation while vacation benefits are accrued as earned by the employees.

Due to the nature of the benefits, the retirement benefits recoverable and payable are classified as long-term whereas the vacation benefits recoverable and payable are classified as current.

The amount of funding which will be provided by Manitoba Health, through the WRHA, for pre-retirement entitlement obligations was capped at the amount owing as at March 31, 2004, adjusted for allocations from the WRHA in 2005, and has been recorded as a receivable on the statement of financial position in the amount of $256,668. Commencing in 2007, the WRHA has agreed to fund the change in accrued pre-retirement liability for the WRHA funded positions. This has resulted in an increase to receivables and revenues in the amount of $10,087 for the 2007 fiscal year. The Province of Manitoba has guaranteed to the WRHA, and through it to the Home, the outstanding receivable as at March 31, 2004, which will be paid when required. Any liability in excess of the adjusted March 31, 2004 amount will be reflected as a current year expenditure on the statement of operations following the "deficiency of revenue over expenditures before other items" balance adjusted for WRHA funding commitments to the Home. The amount of the receivable is being recorded on a non-discounted basis. This accounting policy is consistent with that advocated and followed by Manitoba Health, a related party to WRHA (and the Home). The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

4. Restricted Cash and Deposits

	2007	2006
Reserve for insurance deductible	**$ 6,048**	$ 5,040
Equipment replacement	**132,972**	118,272
Major repair	**73,972**	70,132
Residents' Trust Fund	**19,614**	18,017
	$ 232,606	$ 211,461

5. Capital Assets

	2007 Cost	2007 Accumulated Amortization	2006 Cost	2006 Accumulated Amortization
Land	$ 16,269	$ -	$ 16,269	$ -
Building	1,584,527	765,152	1,584,527	733,461
Computer equipment	133,033	124,016	133,033	114,261
Computer software	55,313	52,869	55,313	45,417
Furniture - sun room	24,344	24,344	24,344	24,344
Furniture and equipment	719,488	612,837	639,757	581,809
	$ 2,532,974	$ 1,579,218	$ 2,453,243	$ 1,499,292
Cost less accumulated amortization		$ 953,756		$ 953,951

6. Accounts Payable and Accrued Charges

	2007	2006
Accounts payable - trade	$ 119,151	$ 87,452
Accrued property taxes	7,328	8,304
Accrued audit fees	9,600	7,800
Accrued salaries	158,688	115,167
	$ 294,767	$ 218,723

7. Pension Plan

Substantially all of the employees of the Home are members of the Healthcare Employees Pension Plan (a successor to the Manitoba Health Organization Inc. Plan) (the "Plan") which is a multi-employer defined benefit pension plan available to all eligible employees of the participating members of the Plan. Plan members will receive benefits based on the length of service and on the average of annualized earnings during the best five years of the last ten years prior to retirement, termination or death, that provides the highest earnings.

Pension assets consist of investment grade securities. Market and credit risk on these securities are managed by the Plan by placing plan assets in trust and through the Plan investment policy.

Pension expense is based on Plan management's best estimates, in consultation with its actuaries, of the amount, together with the contributions by employees, required to provide a high level of assurance that benefits will be fully represented by fund assets at retirement, as provided by the Plan. The funding objective is for employer contributions to the Plan to remain a constant percentage of employees' contributions.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2005 indicates the plan is in deficit, however it is anticipated that recently implemented increases in contribution rates will correct this deficiency within the allowed timeframe. Contributions to the Plan made during the year by the Home on behalf of its employees amounted to $126,067 (2006 - $125,408) and are included in the statement of operations.

8. Long-term Debt

	2007	2006
Loan payable		
CIBC - construction, payable in monthly instalments of $2,260 plus interest at bank prime, secured by investments held by The Home	$ 222,277	$ 248,267
CIBC - new boilers, payable in monthly instalments of $879 plus interest at bank prime, secured by investments held by The Home	-	41,566
	222,277	289,833
Current portion of long-term debt	27,120	37,668
	$ 195,157	$ 252,165

Principal repayments required over the next five years are as follows:

2008	$ 27,120
2009	27,120
2010	27,120
2011	27,120
2012	27,120

9. Deferred Contributions

Capital Assets

Deferred capital contributions related to capital assets represent the unamortized amount of funds received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year as restated	$ **365,487**	$ 491,836
Contributions received	**134,811**	211,831
Contributions spent on capital debt	**(14,358)**	(12,838)
Transferred to long-term debt	**-**	(275,387)
Less amounts amortized to revenue	**(78,683)**	(49,955)
Balance, end of year	**407,257**	365,487
Reserve for insurance deductible		
Balance, beginning of year	**5,040**	4,032
Additions	**1,008**	1,008
Balance, end of year	**6,048**	5,040
Unspent basic equipment		
Balance, beginning of year	**118,272**	103,572
Additions	**14,700**	14,700
Balance, end of year	**132,972**	118,272
Unspent reserve for major repairs		
Balance, beginning of year	**70,132**	66,292
Additions	**3,840**	3,840
Balance, end of year	**73,972**	70,132
Total deferred contributions	$ **620,249**	$ 558,931

10. Restricted Net Assets

All of the net assets for the equipment replacement and major repairs and renovations and insurance deductible reserve are subject to externally imposed restrictions.

11. Insurance

a) The nature of the Home's activities is such that there is usually litigation pending or in prospect at any time. With respect to potential claims at March 31, 2007, management believes the Home has valid defences and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the Home's financial position.

b) On July 1, 1987, a group of health care organizations, ("subscribers"), formed Healthcare Insurance Reciprocal of Canada ("HIROC"). HIROC is registered as a Reciprocal pursuant to provincial Insurance Acts, which permit reciprocal contracts of indemnity insurance. HIROC facilitates the provision of liability insurance coverage to health care organizations in the provinces of Ontario, Manitoba Saskatchewan and Newfoundland. Subscribers pay annual premiums, which are actuarially determined, and are subject to assessment for losses in excess of such premiums, of any experienced by the group of subscribers for the years in which they were a subscriber. No such assessments have been made to March 31, 2007.

The Home is a named insured under the WRHA policy with HIROC.

THE CONVALESCENT HOME OF WINNIPEG
Supplementary Information to Financial Statements

For the year ended March 31	2007		2006
	Budget	Actual	Actual
Operating Expenditures			
Special services			
Activity	$ 5,360	$ 6,097	$ 5,090
Medical administration	2,760	2,760	2,760
Dietary			
Dietary supplies	53,400	52,221	59,441
Food costs	140,500	143,865	144,014
Management fees	14,800	15,669	16,080
Purchased services	233,500	245,649	249,973
Drug, medical and surgical supplies	34,000	28,962	33,750
Accreditation fees	350	327	333
Advertising	2,700	5,559	2,551
Bank charges and exchange	5,400	5,445	3,942
Companion services		29,914	8,761
I.T. system expenses	18,300	17,584	18,646
Employee benefits			
Canada pension plan	100,740	104,429	98,135
Dental plan	13,650	12,574	13,158
Employment insurance	59,640	58,461	57,767
HEPP - Manitoba	133,200	126,067	125,408
LTD Contributions	42,155	39,625	39,117
Manitoba health and education tax	56,485	55,077	54,010
Other benefits	59,020	58,524	59,165
Pre-retirement leave	28,000		35,995
Workers' compensation	39,815	38,471	39,720
Incontinent supplies	37,200	41,061	36,839
Gastric Feed	-	-	874
Memberships	3,650	261	3,961
Miscellaneous and other administration	32,200	24,358	30,559
Printing, stationery and office supplies	10,360	8,522	9,942
Professional fees			
Audit and accounting	9,600	11,469	9,053
Labour relations	600	167	500
Legal	13,200	15,372	22,504
General	3,000	3,824	1,324
Service bureau fees	12,350	12,146	12,384
Telephone	1,100	747	1,054
(Carried forward)	$ 1,167,035	$ 1,165,207	$ 1,196,810

THE CONVALESCENT HOME OF WINNIPEG
Supplementary Information to Financial Statements

For the year ended March 31		2007	2006
	Budget	Actual	Actual
(Brought forward)	$ 1,167,035	$ 1,165,207	$ 1,196,810
Travel			
Residents	5,000	5,198	4,741
Staff Administration	6,380	3,170	9,954
Housekeeping			
Management fees	7,000	7,683	6,925
Purchased services	114,500	109,361	114,867
Supplies	17,800	41,134	17,181
Laundry			
Laundry supplies	10,600	12,097	9,232
Linen supplies	18,000	13,568	19,445
Physical premises			
Electricity	27,600	30,525	28,972
Insurance	7,320	4,379	7,242
Natural gas	37,800	51,659	36,746
Other	500	559	482
Rental/lease of equipment	6,440	5,128	8,030
Repairs and maintenance			
Buildings and grounds	26,000	11,837	27,057
Furniture and equipment	48,180	33,749	46,924
Service contracts	19,800	14,279	19,664
Taxes	29,280	28,338	23,205
Water	24,000	28,354	23,430
Salaries	2,541,125	2,615,812	2,516,531
Staff education	4,000	2,224	3,893
	$ 4,118,360	$ 4,184,261	$ 4,121,331

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AUDITORS' REPORT

To the Board of Management
The Salvation Army Golden West Centennial Lodge

We have audited the statement of financial position of The Salvation Army Golden West Centennial Lodge as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Lodge's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Lodge as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP.

Chartered Accountants

Winnipeg, Manitoba
June 8, 2007

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Financial Position
March 31, 2007

	2007	2006 (Restated - Note 3)
ASSETS		
CURRENT		
Cash (Note 4)	$ 110,028	$ -
Accounts receivable	9,962	98,267
Prepaid expenses	4,969	22,496
Inventory	12,763	11,460
Due from Winnipeg Regional Health Authority - vacation pay and pre-retirement entitlements	311,682	291,682
	449,404	423,905
CASH HELD FOR RESTRICTED PURPOSES (Note 5)	212,051	361,457
DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY - PRE-RETIREMENT ENTITLEMENTS	234,727	232,196
CAPITAL ASSETS (Note 6)	3,614,771	3,861,433
DEFERRED GRANT RECEIVABLE (Note 7)	52,891	55,277
TRUST ASSETS - RESIDENTS	13,244	13,014
	$ 4,577,088	$ 4,947,282
LIABILITIES		
CURRENT		
Bank overdraft (Note 4)	$ -	$ 168,393
Accounts payable and accrued liabilities (Note 8)	941,922	832,903
	941,922	1,001,296
ACCRUED PRE-RETIREMENT ENTITLEMENTS (Note 9)	274,196	251,665
DEFERRED CONTRIBUTIONS (Note 10)	3,661,265	3,881,764
TRUST LIABILITY - RESIDENTS	13,244	13,014
	4,890,627	5,147,739
NET DEFICIENCY		
Invested in capital assets (Note 11)	85,751	115,201
Internally restricted	79,803	225,922
Unrestricted	(479,093)	(541,580)
	(313,539)	(200,457)
	$ 4,577,088	$ 4,947,282

APPROVED BY THE BOARD

Gwen Gray (Board Chair) Director

.... Director

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Operations
Year Ended March 31, 2007

	2007	2006
REVENUE		
Residents		
Winnipeg Regional Health Authority	**$ 3,887,812**	$ 3,753,609
Residential charge	**1,885,767**	1,869,798
Amortization of deferred contributions (Note 10)	**299,060**	293,643
Dietary services	**33,147**	35,185
Other income	**31,165**	28,344
	6,136,951	5,980,579
EXPENSES		
Salaries	**4,134,219**	4,000,271
Employee benefits	**685,437**	614,221
Pre-retirement leave costs (Note 9)	**47,491**	42,013
Payroll tax	**93,743**	80,397
Medical supplies	**100,029**	108,419
Operating expenses - Schedule 2	**408,394**	459,644
Physical plant - Schedule 2	**381,537**	355,849
Amortization	**285,371**	284,857
Administration - Schedule 2	**98,922**	96,241
Province of Manitoba amortized grant	**2,386**	2,229
	6,237,529	6,044,141
DEFICIENCY OF REVENUE OVER EXPENSES FROM LONG-TERM CARE OPERATIONS	**(100,578)**	(63,562)
(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES FROM ADULT DAY CARE PROGRAM - Schedule 3	**(14,421)**	13,143
DEFICIENCY OF REVENUE OVER EXPENSES FROM OPERATIONS	**(114,999)**	(50,419)
OTHER REVENUE AND EXPENSES - Schedule 1	**1,917**	12,939
UNFUNDED INCREASE IN PRE-RETIREMENT ENTITLEMENTS	**-**	(511)
DEFICIENCY OF REVENUE OVER EXPENSES FOR THE YEAR	**$ (113,082)**	$ (37,991)

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Changes in Net Assets
Year Ended March 31, 2007

	2007				2006
	Investment in Capital Assets	Internally Restricted	Unrestricted	Total	Total
Balance, beginning of year as previously stated	$ 115,201	$ 225,922	$ (476,418)	$ (135,295)	$ (97,304)
Prior period adjustment (Note 3)	-	-	(65,162)	(65,162)	(65,162)
Balance, beginning of year as restated	115,201	225,922	(541,580)	(200,457)	(162,466)
Excess (deficiency) of revenue over expenses for the year (Note 11 (b))	(4,750)	5,934	(114,266)	(113,082)	(37,991)
Fund transfers (Note 12)	-	(152,053)	152,053	-	-
Investment in capital assets (Note 11 (b))	(24,700)	-	24,700	-	-
Balance, end of year	$ 85,751	$ 79,803	$ (479,093)	$ (313,539)	$ (200,457)

THE SALVATION ARMY
GOLDEN WEST CENTENNIAL LODGE
Statement of Cash Flows
Year Ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	$ **(113,082)**	$ (37,991)
Items not affecting cash		
Amortization of capital assets	**285,371**	284,857
Amortization of deferred contributions	**(299,060)**	(293,643)
Amortization of deferred grant receivable	**2,386**	2,229
	(124,385)	(44,548)
Changes in non-cash working capital balances		
Accounts receivable	**88,305**	(110,324)
Prepaid expenses	**17,527**	(2,374)
Inventory	**(1,303)**	(5,267)
Pre-retirement entitlements receivable	**(22,531)**	-
Accrued pre-retirement entitlements	**22,531**	(19,489)
Accounts payable and accrued liabilities	**109,019**	35,411
	89,163	(146,591)
FINANCING ACTIVITIES		
Additional deferred contributions received	**78,561**	47,930
	78,561	47,930
INVESTING ACTIVITIES		
Capital assets purchases	**(38,709)**	(45,625)
Decrease (increase) in cash held for restricted purposes	**149,406**	(18,256)
	110,697	(63,881)
NET INCREASE (DECREASE) IN CASH	**278,421**	(162,542)
BANK OVERDRAFT, BEGINNING OF YEAR	**(168,393)**	(5,851)
CASH, END OF YEAR	$ **110,028**	$ (168,393)

1. DESCRIPTION OF ORGANIZATION

The Salvation Army Golden West Centennial Lodge is owned and operated by The Governing Council of The Salvation Army in Canada pursuant to the Province of Manitoba Acts and Regulations governing supervisory and personal care homes. It is governed by the Board of Management of Grace General Hospital and Golden West Centennial Lodge.

The Lodge is a not-for-profit organization under the Income Tax Act and accordingly is exempt from income taxes under Section 149.

2. ACCOUNTING POLICIES

The financial statements of the Lodge have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

The Lodge follows the deferral method of accounting for contributions which include donations and government grants.

The Lodge is funded primarily by the Province of Manitoba in accordance with budget arrangements established by the Winnipeg Regional Health Authority. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant relates to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

b) Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the Lodge's ability to provide services, its carrying amount is written down to its residual value.

2. ACCOUNTING POLICIES (continued)

b) *Capital assets (continued)*

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Buildings	50 years
Building expansion	30 years
Major equipment	10 years
Nursing station	10 years
Roof expansion	10 years
Office furniture and equipment	5 - 10 years
Computer hardware and software	3 years

c) *Vacation pay*

The Lodge records the accrued vacation pay entitlement liability. Any change in the liability is recorded in the statement of operations.

d) *Contributed services*

Contributed services are recorded at their estimated fair value.

e) *Pre-retirement entitlement obligation*

The Lodge has a contractual commitment to pay out to employees four days salary per year of service upon retirement if they comply with the following conditions:

i) have ten years service and have reached the age of 55; or
ii) qualify for the "eighty" rule which is calculated by adding the number of years service to the age of the employee; or
iii) retire at or after the age 65; or
iv) terminate employment at any time due to permanent disability.

The Lodge has recorded an accrual based on an actuarial valuation that includes employees who qualify at the year-end balance sheet date and an estimate for the remainder of employees who have not yet met the criteria above. Funding for the pre-retirement entitlement is recoverable from the Winnipeg Regional Health Authority up to a pre-determined percentage. Payments beyond the pre-determined percentage are reflected as an expense in the statement of operations.

2. ACCOUNTING POLICIES (continued)

f) Due from Winnipeg Regional Health Authority – employee future benefits

The Lodge records a provision for future employee benefits including accrued vacation entitlements and accrued retirement entitlements. For certain employees, funding for future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made.

Vacation entitlements and pre-retirement entitlements that will be funded by the WRHA have been recorded on the statement of financial position as a receivable from the WRHA. The receivable is being recorded on a non-discounted basis which is consistent with the carrying value recorded in the financial statements of the WRHA, a related party to the Lodge. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

g) Internally restricted net assets

Internally restricted net assets represent funds which have been received through donations and have been internally restricted by the Lodge's Board of Management. These funds can only be utilized with the prior approval of the Board of Management.

h) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. ACCOUNTING POLICIES (continued)

i) *Financial instruments*

Interest rate risk
Interest rate risk is the risk to the Lodge's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Lodge does not use derivative instruments to reduce this risk.

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. However, most of the Lodge's accounts receivable are amounts due from government funding authorities, which minimizes credit risk.

Fair value
The fair value of the bank overdraft, accounts receivable, accounts payable and accrued liabilities, approximate their carrying value due to their short-term maturity.

3. PRIOR PERIOD ADJUSTMENT

During the year, the Lodge has determined that certain amounts were owing to the WRHA relating to capital interest funding during the period of April 2000 to March 2004 which had not been recorded. As a result, the Lodge has retroactively restated the prior year comparative figures to reflect the error. The effect on the March 31, 2006 statement of financial position is to decrease accounts receivable by $65,162, and to increase the unrestricted net deficit by $65,162.

4. CASH (BANK OVERDRAFT)

	2007	2006
Cash (Bank overdraft)	**$ 47,552**	$ (234,158)
Funds on deposit with Salvation Army Headquarters	**62,476**	65,765
	$ 110,028	$ (168,393)

5. CASH HELD FOR RESTRICTED PURPOSES

	2007	2006
CAPITAL		
Cash	$ 4,047	$ 11,021
Funds on deposit with Salvation Army Headquarters	128,201	124,514
	132,248	135,535
OTHER		
Internally restricted net assets (Note 2(g))	79,803	225,922
	$ 212,051	$ 361,457

Funds on deposit with Salvation Army Headquarters represent funds, which have been bequeathed to the Lodge. Such funds can only be utilized for capital purposes with the prior approval of the Territorial Finance Council and Property Board.

6. CAPITAL ASSETS

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 55,159	$ -	$ 55,159	$ 55,159
Buildings	998,208	737,930	260,278	280,242
Building expansion	5,744,613	2,776,977	2,967,636	3,159,123
Major equipment	849,172	779,962	69,210	70,158
Nursing station	92,276	92,276	-	-
Roof expansion	274,499	112,129	162,370	184,372
Office furniture and equipment	452,508	361,208	91,300	109,331
Computer hardware and software	209,210	200,392	8,818	3,048
	$ 8,675,645	$ 5,060,874	$ 3,614,771	$ 3,861,433

7. DEFERRED GRANT RECEIVABLE

The Province of Manitoba has arranged for the Lodge to receive a grant of $86,350 to be amortized at 6 7/8% interest annually for 50 years (maturing 2020). The annual payment is $6,060 including principal and interest.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Accounts payable	$ 372,396	$ 250,889
Accrued salaries and benefits	230,792	255,186
Accrued vacation pay	295,864	283,927
Accrued pre-retirement entitlements	40,000	40,000
Accrued interest	2,870	2,901
	$ 941,922	$ 832,903

9. ACCRUED PRE-RETIREMENT ENTITLEMENTS

The Lodge has undertaken an actuarial valuation as of March 31, 2007 of the accrued pre-retirement entitlements. The significant actuarial assumptions adopted in measuring the Authority's accrued pre-retirement entitlements include mortality and withdrawal rates, a discount rate of 4.85% and a rate of salary increase of 3.0% plus age related merit/promotion scale and a factor ranging from 0 – 1.3% for disability. Actual payments made during the year for the Lodge's pre-retirement entitlements were $47,491 (2006 - $42,013).

10. DEFERRED CONTRIBUTIONS

Deferred contributions related to capital assets and major repairs represent the unamortized amount of donations and funding received for the purchase of capital assets and repairs. These contributions were received primarily from Manitoba Health, the Winnipeg Regional Health Authority, the Salvation Army and through the Friendship account.

The amortization of capital contributions is recorded as revenue in the statement of operations. Changes in the deferred contributions balance are as follows:

	2007			2006
	Purchased Capital Assets	Future Capital Purchases and Major Repairs	Total	Total
Balance, beginning of year	$ 3,746,229	$ 135,535	$ 3,881,764	$ 4,127,477
Additional contributions received	24,700	53,861	78,561	47,930
	$ 3,770,929	$ 189,396	$ 3,960,325	$ 4,175,407
Transfers as a result of capital asset purchases	38,709	(38,709)	-	-
Amortization on capital asset purchases and major repairs	(280,621)	(18,439)	(299,060)	(293,643)
Balance, end of year	$ 3,529,017	$ 132,248	$ 3,661,265	$ 3,881,764

10. DEFERRED CONTRIBUTIONS (continued)

Included in the Lodge's deferred contribution balance is long-term debt which has been assumed by the Province of Manitoba and recognized as borrowings in the Public Accounts (Special Purpose Financial Statements) of the Province of Manitoba. The long-term debt that has been included in deferred contributions is the following:

	2007	2006
Bank demand loan, interest at prime less 1/2%, repayable $24,700 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing 2011	**$ 1,211,300**	$ 1,483,500
Mortgage payable, interest at 6 7/8%, repayable $3,966 monthly, including principal and interest, maturing 2020	**415,435**	434,175
Bank demand loan, interest at prime less 1/2%, repayable $2,040 monthly, plus interest, secured by letter of comfort from Manitoba Health, maturing 2011	**110,343**	134,823
	1,737,078	2,052,498
Current portion	**1,341,694**	1,637,063
	$ 395,384	$ 415,435

Principal payments expected in the next five years are as follows:

2008	$ 340,931
2009	342,333
2010	343,831
2011	345,438
2012	64,399

During the year, interest expense relating to the debt which has been assumed by the Province of Manitoba amounted to $101,314 (2006 - $95,160). Because this interest is funded by the Province of Manitoba, neither this interest expense nor the related funding has been recognized in the Lodge's statement of operations.

11. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2007	2006
Capital assets	**$ 3,614,771**	$ 3,861,433
Amounts financed by:		
deferred contributions - purchased capital assets	**(3,529,020)**	(3,746,232)
Balance, end of year	**$ 85,751**	$ 115,201

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Deficiency of revenue over expenses		
Amortization of deferred contributions related to capital assets	**$ 280,621**	$ 284,072
Amortization of capital assets	**(285,371)**	(284,857)
Deficiency of revenue over expenses	**$ (4,750)**	$ (785)
Net change in investment in capital assets		
Purchase of capital assets (net)	**$ 38,709**	$ 45,625
Amounts funded by		
Increase in deferred contributions - purchased capital assets	**(63,409)**	(43,701)
Investment in capital assets	**$ (24,700)**	$ 1,924

12. FUND TRANSFERS

The Board of Management approved the transfer of funds from internally restricted net assets to the unrestricted net deficiency to cover the cost of accumulated expenditures that related to the projects for which internal restrictions were established.

13. RELATED PARTIES

The Board of Management of the Lodge also governs The Salvation Army Grace General Hospital (the Hospital). As at March 31, 2007, the net resources of the Hospital amount to $5,641,063 (2006 - $5,768,823). Included in the Lodge's expenses is $1,346 (2006 - $2,777) for medical supplies purchased from the Hospital. The Lodge also received donations of $15,000 (2006 - $ nil) from the Hospital during the year. These transactions are recorded at fair value.

14. PENSION PLAN

Substantially all of the employees of the Lodge are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination, or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at December 31, 2004 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Lodge on behalf of its employees amounted to $226,220 (2006 - $184,749) and are included in the statement of operations.

15. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified to conform to the presentation adopted in the current year.

THE SALVATION ARMY

Schedule 1

GOLDEN WEST CENTENNIAL LODGE

Other Revenue and Expenses

Year Ended March 31, 2007

	2007	2006
REVENUE		
Contributed services (net)	$ **(1,017)**	$ (5,637)
Red Shield Appeal designated for Territorial Headquarters supervision	**22,000**	20,000
Internally restricted donations and fundraising (net)	**5,934**	23,573
	26,917	37,936
EXPENSES		
Territorial Headquarters supervision	**25,000**	24,997
Other revenue and expenses	$ **1,917**	$ 12,939

THE SALVATION ARMY

Schedule 3

GOLDEN WEST CENTENNIAL LODGE

Adult Day Care

Statement of Revenue and Expenses

Year Ended March 31, 2007

	2007	2006
REVENUE		
Winnipeg Regional Health Authority	$ **155,280**	$ 155,347
Participant fee	**20,711**	22,749
	175,991	178,096
EXPENSES		
Salaries	**90,368**	69,234
Employee benefits	**14,518**	8,547
Payroll tax	**1,859**	1,111
Food	**9,007**	10,680
Client travel	**53,654**	54,630
Supplies	**21,006**	20,751
	190,412	164,953
(Deficiency) Excess of revenue over expenses from adult day care program for the year	$ **(14,421)**	$ 13,143

AUDITORS' REPORT

To the Board of Directors of
The Sharon Home Inc.

We have audited the statement of financial position of **The Sharon Home Inc.** as at March 31, 2007 and the statements of changes in fund balances, operations and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 31, 2007.

Chartered Accountants

The Sharon Home Inc.
Incorporated under the laws of Canada

STATEMENT OF FINANCIAL POSITION

As at March 31

	2007 $	2006 $ *[restated – note 3]*
ASSETS		
Current		
Cash *[notes 16 and 17]*	**163,346**	185,144
Accounts receivable *[note 15]*	**1,833,297**	120,942
Due from Winnipeg Regional Health Authority *[note 13]*	**103,526**	233,153
Prepaid expenses	**72,245**	99,291
Total current assets	**2,172,414**	638,530
Loan receivable *[note 5]*	**70,989**	70,989
Capital assets *[notes 6, 9 and 11]*	**16,747,123**	17,718,528
Property under development *[note 7]*	**3,937,852**	—
Pre-retirement benefits recoverable from Winnipeg Regional Health Authority *[note 8]*	**1,131,803**	1,054,300
Vacation pay recoverable from Winnipeg Regional Health Authority *[note 8]*	**603,753**	603,753
	24,663,934	20,086,100
LIABILITIES AND FUND BALANCES		
Current		
Bank indebtedness *[note 9]*	**4,170,103**	1,000,000
Demand bank loans *[note 10]*	**286,393**	491,319
Accounts payable and accrued liabilities *[note 16]*	**983,486**	461,578
Accrued vacation pay	**644,858**	636,429
Current portion of mortgages payable *[note 11]*	**42,395**	40,450
Current portion of note payable *[note 12]*	**718,750**	718,750
Total current liabilities	**6,845,985**	3,348,526
Mortgages payable *[note 11]*	**932,676**	975,333
Note payable *[note 12]*	**6,468,750**	7,187,500
Deferred contributions *[note 14]*	**8,326,776**	6,364,217
Accrued pre-retirement benefits *[note 19]*	**1,020,204**	942,701
Total liabilities	**23,594,391**	18,818,277
Fund balances		
Invested in capital assets	**566,022**	998,717
Unrestricted	**503,521**	269,106
Total fund balances	**1,069,543**	1,267,823
	24,663,934	20,086,100

The accompanying notes and schedule are an integral part of these financial statements.

On behalf of the Board:

Director Director

The Sharon Home Inc.

STATEMENT OF CHANGES IN FUND BALANCES

Year ended March 31

	2007			
	Invested in capital assets $	Unrestricted $	Total $	2006 Total $
				[restated – note 3]
Fund balances, beginning of year	**998,717**	**269,106**	**1,267,823**	1,118,573
Net income for the year	**(402,148)**	**203,868**	**(198,280)**	149,250
Investment in capital assets, net of related financing	**2,522,319**	**(2,522,319)**	—	—
Deferred contributions received related to capital assets	**(2,552,866)**	**2,552,866**	—	—
Fund balances, end of year	**566,022**	**503,521**	**1,069,543**	1,267,823

The accompanying notes and schedule are an integral part of these financial statements.

The Sharon Home Inc.

STATEMENT OF OPERATIONS

Year ended March 31

	2007 $	20a06 $ *[restated – note 3]*
Revenue		
Winnipeg Regional Health Authority	**9,577,495**	9,571,265
Future pre-retirement benefit revenue *[note 19]*	**77,503**	—
Residential charges	**3,765,725**	3,636,391
Contributions from The Sharon Home Fund Inc. *[note 15]*	**74,769**	63,438
Other income	**65,535**	61,807
Adult Day Program *[schedule]*	—	—
	13,561,027	13,332,901
Departmental expenses		
Administration	**619,657**	553,829
Communications	**132,310**	116,953
Employee benefits *[note 19]*	**1,713,769**	1,624,545
Housekeeping	**603,364**	579,925
Interest and carrying charges on land held for future developments	**74,769**	63,438
Interest		
Short-term debts	**19,421**	18,911
Long-term debts	**537,112**	583,981
Laundry and linen	**391,834**	356,255
Nutrition and food services	**1,414,646**	1,408,501
Occupational therapy	**7,070**	5,600
Plant maintenance	**358,345**	346,344
Plant operation	**688,499**	743,104
Resident care	**6,210,086**	6,025,945
Security	**63,607**	55,092
Social work	**72,202**	77,994
Spiritual care	**69,528**	69,278
Staff development	**57,437**	63,231
Therapeutic recreation	**290,346**	287,642
Volunteer services	**26,760**	24,580
	13,350,762	13,005,148
Income from operations before the following	**210,265**	327,753
Deferred contribution recognized *[note 14]*	**590,307**	558,927
Amortization of capital assets	**(992,455)**	(1,010,395)
Miscellaneous adjustments *[note 13]*	**(6,397)**	—
Future pre-retirement benefits recovery *[note 19]*	—	272,965
	(408,545)	(178,503)
Net income (loss) for the year	**(198,280)**	149,250

The accompanying notes and schedule are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Year ended March 31

	2007 $	2006 $ *[restated – note 3]*
OPERATING ACTIVITIES		
Net income (loss) for the year	**(198,280)**	149,250
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	**992,455**	1,010,395
Deferred contributions recognized related to capital assets	**(590,307)**	(558,927)
	203,868	600,718
Net change in non-cash operating working capital balances related to operations		
Accounts receivable	**(1,712,355)**	(84,231)
Due from Winnipeg Regional Health Authority	**129,627**	(233,153)
Prepaid expenses	**27,046**	(54,788)
Accounts payable and accrued liabilities	**521,908**	(93,544)
Accrued vacation pay	**8,429**	33,026
Due to Winnipeg Regional Health Authority	**—**	(83,642)
Accrued pre-retirement benefits	**—**	(272,965)
Cash provided by (used in) operating activities	**(821,477)**	(188,579)
INVESTING ACTIVITIES		
Purchase of capital assets	**(21,050)**	(37,900)
Additions to property under development	**(3,937,852)**	—
Deferred contributions received related to capital assets	**2,552,866**	1,030,739
Cash provided by (used in) investing activities	**(1,406,036)**	992,839
FINANCING ACTIVITIES		
Increase in bank indebtedness	**3,170,103**	—
Repayments of mortgages payable	**(40,712)**	(37,830)
Repayment of demand bank loans	**(204,926)**	(202,815)
Repayment of note payable	**(718,750)**	(718,750)
Cash provided by (used in) financing activities	**2,205,715**	(959,395)
Net decrease in cash during the year	**(21,798)**	(155,135)
Cash, beginning of year	**185,144**	340,279
Cash, end of year	**163,346**	185,144
Supplemental cash flow information		
Interest paid	**609,599**	602,892

The accompanying notes and schedule are an integral part of these financial statements.

The Sharon Home Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

1. PURPOSE OF THE ORGANIZATION

The Sharon Home Inc. [the "Home"] was incorporated under the laws of Canada on March 23, 1914. The mission of the Home is to enhance the quality of life of the elderly in the community. All programs and services offered to individuals in the Home and community are developed to meet the unique requirements of the individual and the family, and are directed by the values, principles and traditions of Judaism. The Home is a registered charity under the Canada Income Tax Act and accordingly is exempt from income taxes, provided certain requirements of the Canada Income Tax Act are met.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Home follows the deferral method of accounting for contributions and grants.

Under the Health Services Insurance Act and regulation thereto, the Home is funded primarily by the Winnipeg Regional Health Authority ["WRHA"] in accordance with service purchase agreements. These financial statements reflect agreed arrangements approved by the WRHA with respect to the year ended March 31, 2007.

Funding from the WRHA is recognized as revenue based on the funding approved for the fiscal year and in the year in which the related expenses are recognized. Funding approved but not received at the end of an accounting period is accrued. The Home records on an annual basis, an estimate of the amount that may be recoverable from, or payable to, the WRHA relating to its annual excess (deficiency) of revenue over expenses in accordance with the WRHA funding guidelines. The Home is entitled to retain any excess arising from the excess of revenue over expenses for activities funded by WRHA for each fiscal year up to a maximum of 2% of net in-globe costs. Any amount in excess of the maximum is returned to WRHA. Any deficiency will normally be the responsibility of the Home. After WRHA reviews the financial statements and makes final approvals, the differences, if any, from the initial estimate are reflected as an adjustment of the prior year's fund balances in the current year's net income.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis, at a rate corresponding with the amortization rate for the related capital assets.

Capital assets

Purchased capital assets are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution. Assets acquired under capital leases are amortized over the estimated life of the assets or over the lease term, as appropriate. Repairs and maintenance costs are charged to expense. Betterments which extend the estimated useful life of an asset are capitalized. When a capital asset no longer contributes to the facility's ability to provide services, its carrying amount is written down to its residual value. Interest on the bank indebtedness (interim construction loan) to finance the construction project is capitalized to property under development.

Capital assets are amortized on a straight-line basis using the following annual rate:

Buildings	10 to 50 years
Equipment	3 to 10 years
Renovations	5 to 15 years

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Financial instruments

Financial instruments include cash, accounts receivable, due from Winnipeg Regional Health Authority, loan receivable, vacation pay and pre-retirement benefits recoverable from Winnipeg Regional Health Authority, accounts payable and accrued liabilities, bank indebtedness, demand bank loans, mortgages payable and note payable. Unless otherwise stated, it is management's opinion that the Home is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Home's financial assets and liabilities approximates their fair value.

3. RESTATEMENT OF 2006 FINANCIAL STATEMENTS

Effective April 1, 2005, third party debt that was funded by WRHA [including certain demand bank loans, mortgages and note payable] was reclassified as deferred contributions in the financial statements on the basis that the debt was assumed by the Province of Manitoba and was recognized as borrowings in the Public Accounts [Special Purpose Financial Statements] of the Province of Manitoba. The financial statement disclosure of WRHA debt funding contributions and debt principal and interest payments were also changed to align with the recharacterization of the third party debt.

During fiscal 2007, in consultation with the Non-Profit Long-Term Care Association, management determined that the basis for the reclassification was inappropriate in fiscal 2006 because during the current year the third party debt has remained in the Home's name and the obligation remains that of the Home. Management has decided that because of this, the debt should be presented as liabilities of the Home, with corresponding changes in presentation of WRHA revenue and third party debt payments.

This correction was applied retroactively with restatement of the 2006 financial statements.

The net effect of the restatement in the 2006 financial statements was as follows:

- Demand bank loans increased by $385,933;
- Mortgages payable increased by $1,015,783;
- Note payable increased by $7,906,250;
- Deferred contribution decreased by $8,896,951; and
- Fund balance – invested in capital assets decreased by $411,015.

In addition, revenue from WRHA increased by $602,892 , interest expense increased by $602,892 and deferred contribution recognized decreased by $411,015.

4. ECONOMIC DEPENDENCE

The Home is economically dependent on funding from WRHA. If this funding were discontinued, it would affect the Home's ability to continue operations.

5. LOAN RECEIVABLE

The loan is non-interest bearing with no fixed terms of repayment and is collateralized by life insurance policies on a former employee.

6. CAPITAL ASSETS

Capital assets consist of the following:

	2007			2006
	Cost $	Accumulated amortization $	Net book value $	Net book value $
Kanee Centre *[note 7]*				
Land	**558,008**	**—**	**558,008**	558,008
Buildings and renovations	**12,301,262**	**7,510,086**	**4,791,176**	5,291,091
Equipment	**2,607,210**	**2,378,102**	**229,108**	331,472
	15,466,480	**9,888,188**	**5,578,292**	6,180,571
Simkin Centre				
Land	**786,418**	**—**	**786,418**	786,418
Building	**10,217,773**	**1,580,356**	**8,637,417**	8,893,013
Equipment	**1,127,566**	**697,728**	**429,838**	543,368
	12,131,757	**2,278,084**	**9,853,673**	10,222,799
Land held for future developments	**1,315,158**	**—**	**1,315,158**	1,315,158
	13,446,915	**2,278,084**	**11,168,831**	11,537,957
	28,913,395	**12,166,272**	**16,747,123**	17,718,528

7. PROPERTY UNDER DEVELOPMENT

On May 11, 2006, the Home entered into an agreement with WRHA to construct Phase II of the Simkin Centre to be completed in fiscal 2009. The completed cost of this project is estimated to be $31,000,000. Upon completion of the construction project, the operations of the Kanee Centre will be transferred to the Simkin Centre and the property and related mortgages will be transferred to WRHA. The net effect of this transition cannot be determined at this time. At March 31, 2007, the book value of the Kanee Centre, net of mortgages and related deferred contributions is $590,000. Any loss, when the building is taken out of service, will be recorded at that time.

Included in property under development was interest capitalized of $53,066 as at March 31, 2007.

8. PRE-RETIREMENT BENEFITS RECOVERABLE AND VACATION PAY RECOVERABLE

The pre-retirement benefits recoverable and vacation pay recoverable are due from WRHA and are non-interest bearing with no specific terms of repayment.

9. BANK INDEBTEDNESS

	2007 **$**	**2006** **$**
Credit facility agreement with the Royal Bank up to a maximum of $1,000,000, bears interest at the bank prime rate or the Flex Financing [Bankers Acceptance] rate, collateralized by a hypothecation of title covering the land held for future developments. The interest on this loan is being funded by the Sharon Home Fund Inc.	**1,000,000**	1,000,000
Interim construction costs agreement with the Toronto Dominion Bank, is supported by a letter of comfort from the WRHA to a maximum of $25,551,821, interest at prime minus one percent	**3,170,103**	—
	4,170,103	1,000,000

10. DEMAND BANK LOANS

	2007 **$**	**2006** **$** *[restated – note 3]*
Demand loan #1- Simkin Centre	—	38,183
Demand loan #2	—	67,203
Demand loan #1 – Manitoba Health	**119,010**	179,190
Phase II renovation	**167,383**	206,743
	286,393	491,319

Demand loan #1 – Simkin Centre and demand loan #2 were fully repaid in fiscal 2007.

Demand loan #1 – Manitoba Health bears interest at prime minus 0.8% with interest to be paid monthly.

The Phase II renovation loan bears interest at prime minus 0.75% repayable in equal monthly payments of $3,280 plus interest.

Demand loan #1 – Manitoba Health and Phase II renovation loan are collaterized by a letter of comfort from Manitoba Health and a copy of the Executed Capital Contribution Agreement between the Home and Manitoba Health.

11. MORTGAGES PAYABLE

The following mortgages are being repaid to Canada Mortgage and Housing Corporation:

Mortgage number	Interest rate %	Monthly principal and interest payment $	Year due	2007 $	2006 $
					[restated – note 3]
600-NP-15	6.875	3,333	2019	**341,358**	357,834
600-NP-35	7.875	3,806	2020	**382,747**	398,399
600-NP-42	7.75	1,218	2021	**129,980**	134,579
600-NP-50	7.625	1,096	2022	**120,986**	124,971
				975,071	1,015,783

The mortgages are collateralized by the related property at the Kanee Centre.

Estimated principal repayments on the mortgages are as follows:

	$
2008	42,395
2009	45,655
2010	49,167
2011	52,950
2012	57,026
Subsequent	727,878
	975,071
Less current portion	42,395
	932,676

NOTES TO FINANCIAL STATEMENTS

12. NOTE PAYABLE

The note payable is with the Province of Manitoba Department of Finance. The balance remaining is repayable in monthly principal payments of $59,896 plus interest at a rate of 6.125%, maturing March 31, 2017. Minimum principal repayments required under the terms of the note payable are as follows:

	$
2008	718,750
2009	718,750
2010	718,750
2011	718,750
2012	718,750
Subsequent	3,593,750
	7,187,500
Less current portion	718,750
	6,468,750

13. DUE FROM WINNIPEG REGIONAL HEALTH AUTHORITY

The Home is subject to periodic review by WRHA. Operating surpluses or deficiencies may be repayable or recoverable as determined by WRHA. The Home records a liability or receivable based on an estimate with respect to the outcome of future year-end reviews.

14. DEFERRED CONTRIBUTIONS

Deferred contributions represent the unamortized amount of grants and funding received for the purchase of capital assets and major repairs. Changes in the deferred contributions balance reported are as follows:

	2007 **$**	**2006** **$** *[restated – note 3]*
Balance, beginning of year	**6,364,217**	5,892,405
Deferred contributions during the year	**2,552,866**	1,030,739
Less contributions recognized as revenue during the year	**(590,307)**	(558,927)
Balance, end of year	**8,326,776**	6,364,217

The balances as at March 31, 2007 and 2006 consist of the following:

	2007 $	2006 $
		[restated – note 3]
Deferred contributions relating to capital assets	**8,218,559**	6,306,459
Unspent funding for equipment	**87,949**	47,874
Unspent funding for major repairs	**20,268**	9,884
	8,326,776	6,364,217

Included in deferred contributions are amounts from The Sharon Home Fund Inc. of $1,622,355 [2006 - $71,570] which includes $1,516,969 [2006 - $Nil] funding receivable from The Sharon Home Fund Inc. *[note 15]*.

15. RELATED ENTITY

The Sharon Home Inc. controls The Sharon Home Fund Inc. ["the Fund"] by virtue of the fact that the majority of the board members are common to each board. The Fund is incorporated under the Corporations Act and is a registered charity under the Canada Income Tax Act.

The Fund was established to support and foster the operations of the Sharon Home Inc. The Fund supports projects, not supported by other funding sources, for the care, maintenance and protection of aged men and women.

The net assets and results of the operations are not included in the financial statements of the Home. Separate financial statements of the Fund are available upon request. Financial summaries of the Fund as at March 31, 2007 and 2006 and for the years then ended are as follows:

The Sharon Home Fund Inc.

	2007 $	2006 $
Financial position		
Total assets	**3,216,668**	1,617,745
Total liabilities	**1,711,769**	26,684
Fund balances	**1,504,899**	1,591,061
	3,216,668	1,617,745

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

	2007 $	2006 $
Results of operation		
Total revenue	**1,636,249**	160,737
Total expenses	**20,489**	41,075
Excess of revenue over expenses before the following	**1,615,760**	119,662
Contributions to the Sharon Home Inc.	**(1,701,922)**	(146,061)
Deficiency of revenue over expenses	**(86,162)**	(26,399)
Cash flows		
Cash provided by operating activities	**1,611,123**	32,879
Cash used in investing activities	**(41,711)**	(23,687)
Increase (decrease) in cash	**1,569,382**	9,192

During 2007, the Home charged the Fund on a cost recovery basis $ 16,162 [2006 - $32,032] for administrative and special program expenditures. During 2007, the Fund contributed $74,769 [2006 - $63,438] to the Home to fund the interest and carrying charges on the land held for future developments.

As at March 31, 2007, included in accounts receivable is an amount of $1,711,715 [2006 - $21,829] receivable from the Fund, of which $1,516,969 [2006 - $nil] is a funding receivable from the Fund representing contributions received by the Fund under the Simkin Centre Phase II capital campaign. The contributions are recorded as deferred contributions *[note 14]*.

16. RESIDENT TRUST FUNDS

Included in cash and accounts payable are funds held in trust for the Home's residents totalled $23,382 [2006 - $33,943].

17. RESTRICTED CASH

Cash in the amount of $ 108,217 [2006 - $57,757] is restricted for major repairs and maintenance expense in the following year.

18. CONTINGENCIES

A group of Hospitals, Community Health Centres, Community Access Centres, nursing homes and clinics, including the Home, have formed the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the public liability insurance risks of its members. All members of the pool pay annual premiums which are actuarially determined. All members are subject to re-assessment for losses, if any, experienced by the pool for the years in which they were members and these losses could be material. HIROC purchases reinsurance to reduce the likelihood of re-assessment.

19. EMPLOYEE FUTURE BENEFITS

[a] Pension Plan

All employees of the Home are required [optional upon employment, mandatory after 2 years] to be members of the Healthcare Employee's Pension Plan, which is a multi-employer defined benefit pension plan. Employer contributions made to the plan during the year by the Home and expensed amounted to $ 489,387 [2006 - $443,039].

The most recent actuarial valuation of the plan as at March 31, 2006 indicates that the plan is fully funded.

[b] Pre-retirement leave benefits

The Home has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. The WRHA calculates and advises the Home of the amount of the obligation. In fiscal 2006, pre-retirement leave benefits were considered an in-globe funding item and the decrease of $272,965 in the accrued pre-retirement benefits liability was recorded as a recovery in the statement of operations. In fiscal 2007, pre-retirement leave benefits were considered an out-of-globe funding item and the increase of $77,503 in the accrued pre-retirement benefit liability was recorded as part of employee benefits expense, because it is funded by the WRHA. The related WRHA funding in 2007 is presented as pre-retirement benefit revenue.

As such, all increases/decreases in accrued pre-retirement benefits liability have been matched by equal increases/decreases in the pre-retirement benefits recoverable from WRHA, except for fiscal 2006.

SCHEDULE OF ADULT DAY PROGRAM

Year ended March 31

	2007 $	2006 $
Revenue		
Province of Manitoba	**79,056**	70,512
Participants' fees	**11,615**	9,792
	90,671	80,304
Expenses		
Salaries - general	**34,194**	30,263
Other	**56,477**	50,041
	90,671	80,304
Excess of revenue over expenses	**—**	—

The accompanying notes are an integral part of this schedule.

To the Board Members of West Park Manor Personal Care Home, Inc.:

We have audited the statement of financial position of West Park Manor Personal Care Home, Inc. as at March 31, 2007 and the statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2007 and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles.

Meyers Norris Penny LLP

Winnipeg, Manitoba

May 30, 2007

Chartered Accountants

West Park Manor Personal Care Home, Inc.

Statement of Financial Position

As at March 31, 2007

	2007	*2006*
Assets		
Current		
Cash *(Note 3)*	**403,472**	441,995
Marketable securities *(Note 4)*	**1,785,630**	700,262
Accounts receivable *(Note 5)*	**574,417**	535,247
Prepaid expenses and deposits	**78,711**	69,268
Current portion of investments	**400,000**	999,411
	3,242,230	2,746,183
Investments *(Note 6)*	**300,000**	700,000
Capital assets *(Note 7)*	**1,611,353**	1,745,455
Deferred charges - future employee benefits *(Note 8)*	**575,214**	522,717
	5,728,797	5,714,355
Liabilities		
Current		
Accounts payable and accruals	**1,857,600**	1,865,444
Trust funds payable	**205,354**	203,026
Current portion of long-term debt	**128,000**	126,000
	2,190,954	2,194,470
Long-term debt *(Note 9)*	**1,378,704**	1,506,556
Deferred contributions *(Note 10)*	**365,166**	289,601
Accrued future employee benefits *(Note 8)*	**632,550**	580,053
	4,567,374	4,570,680
Net Assets		
Invested in capital assets	**38,026**	86,579
Unrestricted	**569,033**	583,908
	607,059	670,487
Restricted *(Note 11)*	**554,364**	473,188
	1,161,423	1,143,675
	5,728,797	5,714,355

Approved on behalf of the board

Dave Hutchinson **Director**

Charles L. Toop **Director**

West Park Manor Personal Care Home, Inc.

Statement of Operations

For the year ended March 31, 2007

	Operating Fund	*Capital Fund*	**2007**	2006
Revenues				
Residential charges	2,558,127	-	**2,558,127**	2,483,342
Winnipeg Regional Health Authority				
Operating	4,444,399	-	**4,444,399**	4,338,903
Bed grant	11,712	-	**11,712**	11,712
Interest on approved borrowing	92,737	-	**92,737**	89,160
Year end adjustment *(Note 15)*	(17,179)	-	**(17,179)**	(108,830)
Medical salaries	3,552	-	**3,552**	3,552
Pre-retirement leave amortization	12,955	-	**12,955**	24,177
Wages accrual - MNU related	45,384	-	**45,384**	81,096
Over-cost funding	108	-	**108**	15,447
Median rate adjustment per diem	227,205	-	**227,205**	66,567
Non median rate funding	178,765	-	**178,765**	140,280
CUPE related	93,888	-	**93,888**	309,300
Other revenue	46,141	-	**46,141**	73,595
Amortization of deferred operating contributions *(Note 10)*	-	85,549	**85,549**	83,045
Amortization of deferred - major repair *(Note 10)*	-	-	**-**	16,786
	7,697,794	85,549	**7,783,343**	7,628,132
Expenses				
Amortization	-	174,483	**174,483**	170,938
Dietary services and supplies	277,655	-	**277,655**	271,126
Employee benefits	1,043,013	-	**1,043,013**	941,669
Employee benefits - pre-retirement leave	17,625	-	**17,625**	31,346
General administration	118,272	-	**118,272**	89,565
Health and safety	48,666	-	**48,666**	18,071
Housekeeping	36,952	-	**36,952**	41,910
Interest on long-term debt	106,058	-	**106,058**	103,754
Laundry	23,450	-	**23,450**	24,971
Linen	6,225	-	**6,225**	6,022
Medical salaries	4,254	-	**4,254**	4,672
Nursing services and supplies	166,121	-	**166,121**	165,647
Recreation and handicraft supplies	14,894	-	**14,894**	13,067
Repairs and maintenance	103,552	-	**103,552**	131,832
Salaries and wages	5,437,927	-	**5,437,927**	5,262,227
Utilities	312,653	-	**312,653**	352,581
	7,717,317	174,483	**7,891,800**	7,629,398
Deficiency before adjustments	(19,523)	(88,934)	**(108,457)**	(1,266)
Pre-retirement future liability income *(Note 8)*	86,633	-	**86,633**	-
Pre-retirement future liability expense *(Note 8)*	(52,497)	-	**(52,497)**	(31,852
Excess (deficiency) of revenues over expenses	14,613	(88,934)	**(74,321)**	(33,118

West Park Manor Personal Care Home, Inc.

Statement of Changes in Net Assets

For the year ended March 31, 2007

	Operating *Fund*	Invested in capital assets	2007 Total	2006 Total
Net assets, beginning of year	583,908	86,579	**670,487**	668,398
Excess (deficiency) of revenues over expenses	14,613	(88,934)	**(74,321)**	(33,118)
Inter-fund transfer	(29,488)	29,488	-	-
Transfer from non-operating income reserve	-	10,893	**10,893**	35,207
Net assets, end of year	569,033	38,026	**607,059**	670,487

1. Purpose of the Organization

West Park Manor Personal Care Home, Inc. is a privately operated non-profit corporation which provides personal care for senior citizens. It is incorporated without share capital under the Corporations Act of Manitoba.

The Organization is a not for profit organization under the Income Tax Act (the "Act") and as such, is exempt from income taxes. In order to maintain its status as such, the Organization must meet certain requirements within the Act. In the opinion of the management, these requirements have been met.

2. Accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, and include the following significant accounting policies:

Marketable securities

Marketable securities are valued at the lower of cost and market value except where a decrease in market value is considered other than temporary.

Capital assets

Capital assets are recorded at cost. Other than buildings, amortization is recorded in the capital fund using the straight-line basis, at rates intended to amortize the value of capital assets over their estimated useful life. The annual rates are as follows:

	Method	Rate
Automotive	straight-line	30%
Computer equipment	straight-line	20%
Equipment	straight-line	6.25%

Amortization on buildings is based on the annual principal reduction of associated debt, which is intended to amortize the value of the capital asset over their estimated useful life.

Reserve funds

In accordance with guidelines established by Manitoba Health and/or Winnipeg Regional Health Authority, the Organization has established reserves for future expenditures as approved by Manitoba Health and/or Winnipeg Regional Health Authority.

Deferred contributions

Deferred contributions represent the unamortized portion of restricted contributions relating to the purchase of capital assets or self-funding of insurance deductibles. Capital asset deferred contributions are recognized as revenue on the same basis as respective assets are amortized. Insurance deductible deferred contributions are recognized as revenue on the same basis as respective expenditures are made.

Revenue recognition

The Organization uses the deferral method of accounting for contributions and reports on a fund accounting basis. Restrictred contributions are deferred and matched with the related expenses as incurred. Unrestricted contributions are recorded in the operating fund as received or receivable if the amount can be reasonably estimated and collection is reasonably assured.

Measurement uncertainty (use of estimates)

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

The Organization estimates the net book value of capital assets based upon the amortization period and the estimated useful lives of the capital assets. Accounts receivable are stated after evaluation as to their collectibility and an appropriate allowance provided for uncollectible accounts.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become unknown.

Transfer to capital fund

Equipment of a capital nature with an individual value over $2,000 is transferred to the Capital Fund in order to comply with Manitoba Healtha and/or Winnipeg Regional Health Authority policy.

Long-lived assets

Long-lived assets consists of buildings, automotive, computer equipment and equipment with finite useful lives. Long-lived assets held for use are measured and amortized as described in the applicable accounting policies.

The Organization performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the assets' value. Any impairment is included in earnings for the year.

Recent accounting pronouncements

In January 2005, the Canadian Institute of Chartered Accountants issued new recommendations for the recognition and measurement of financial instruments, and amendments to the existing presentation and disclosure standards, effective for interim and annual financial statements with fiscal years beginning on or after October 1, 2007. Transitional provisions are complex and vary based on the type of financial instruments under consideration. Therefore, the Organization has not yet determined the effects of these new standards on its financial statements.

3. Cash

Included in cash are amounts due to reserve and trust accounts that are subject to certain restrictions. Cash is in bank accounts which earn interest of 4.0% (2006 - 2.25%) at year-end.

	2007	*2006*
Cash on hand	**385,993**	424,516
Restricted cash	**17,479**	17,479
	403,472	441,995

4. Marketable securities

	2007	*2006*
Money market mutual funds, earning interest at 4.0% (2006 - 2.67%) at year end.	**1,785,630**	700,262

Market value of portfolio is $1,789,444 (2006 - $706,019).

5. Accounts receivable

	2007	*2006*
Trade receivables	**403,303**	368,305
Goods and Services Tax receivable	**17,542**	13,303
Interest receivable	**37,901**	37,968
Winnipeg Regional Health Authority - pre-retirement leave	**115,671**	115,671
	574,417	535,247

6. Investments

	2007	*2006*
Guaranteed investment certificate, interest 3.1%, matures March 31, 2008	**400,000**	400,000
Guaranteed investment certificate, interest 3.2%, matures March 31, 2009	**300,000**	300,000
Guaranteed investment certificate, matured during the year	**-**	140,283
Guaranteed investment certificate, matured during the year	**-**	300,000
Guaranteed investment certificate, matured during the year	**-**	559,128
	700,000	1,699,411
Less: current portion	**(400,000)**	(999,411)
	300,000	700,000

7. Capital assets

	Opening Cost	Additions	Disposals/ Write-offs	Closing Cost	Accumulated Amortization	*2007* Net book value	*2006* Net book value
Land	128,980	-	-	**128,980**	**-**	**128,980**	128,980
Buildings	2,193,659	-	-	**2,193,659**	**1,251,193**	**942,466**	934,819
Computer equipment	33,352	7,424	-	**40,776**	**27,289**	**13,487**	14,219
Equipment	1,761,566	32,958	-	**1,794,524**	**1,268,104**	**526,420**	667,437
	4,117,557	40,382	-	**4,157,939**	**2,546,586**	**1,611,353**	1,745,455

8. Deferred charges

Under guidelines produced by Manitoba Health and/or Winnipeg Regional Health Authority, funding owed to the Organization related to pre-retirement leave benefit and vacation pay liability is recognized as an out of global budget accounts receivable (Note 5) for March 31, 2004 and prior years. Funding for employee future benefits incurred subsequent to March 31/04 fiscal years are included in the Organization's global funding and is not recorded as a receivable, as Manitoba Health and/or Winnipeg Regional Health Authority had directed all health care facilities to record the future employee benefits but not the correspoinding receivable. For March 31, 2007 fiscal year the Organization incurred an employee future benefit liability increase of $52,497 and a future employee benefit receivable of $52,497 was recorded as directed by Manitoba Health and/or Winnipeg Regional Health Authority. An additional short term fundable receivable of $34,136 was recorded to offset a portion of the employee future benefit liablility increases recorded for the (2005 $25,484) and (2006 $31,852) fiscal years.

9. Long-term debt

	2007	*2006*
First mortgage payable in monthly instalments of $8,289 including interest at 7.75%, secured by land and buildings having a net book value of $643,000 (2006 - $688,000), due August 1, 2023	**929,758**	957,162
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $3,550 plus interest, secured with a General Security Agreement, due November 1, 2011	**198,800**	241,400
Bank loan bearing interest at prime minus 0.50%, payable in monthly instalments of $2,535 plus interest, secured with a General Security Agreement, due March 15, 2014	**200,230**	230,650
Bank loan bearing interest at prime minus 0.50%, payable in montly instalments of $2,119 plus interest, secured with a General Security Agreement, due March 31, 2014	**177,916**	203,344
	1,506,704	1,632,556
Less: current portion	**128,000**	126,000
	1,378,704	1,506,556

Principal repayments on long-term debt in each of the next five years are estimated as follows:

2008	128,000
2009	131,000
2010	133,000
2011	136,000
2012	124,000

10. Deferred contributions

Changes for the year in the deferred contribution balance are as follows:

	Capital	*Insurance*	*2007*	*2006*
Balance, beginning of year	281,217	8,384	**289,601**	230,596
Contributions received during the year				
Winnipeg Regional Health Authority				
- Principal repayment	124,904	-	**124,904**	122,626
- Equipment replacement	26,250	-	**26,250**	26,250
- Major repairs	7,944	-	**7,944**	7,944
- Insurance deductible	-	2,016	**2,016**	2,016
Recognized as revenue during the year	(84,867)	(682)	**(85,549)**	(99,831)
Balance, end of year	355,448	9,718	**365,166**	289,601

11. Restricted net assets

Internally restricted net assets are comprised of:

Non-operating income reserve	*2007*	*2006*
Balance, beginning of year	**444,955**	400,069
Interest	**101,299**	80,093
Payments/expenditures	**(9,230)**	-
Contribution to Capital Fund	**(10,893)**	(35,207)
Balance, end of year	**526,131**	444,955
Reserve for major repairs		
Balance, beginning of year	**28,233**	28,233
Expenditures	**-**	-
Balance, end of year	**28,233**	28,233
	554,364	473,188

These net assets are restriced in the fact that they are not part of the general operations of the personal care home. The use of such assets is at the discrection of the board of directors.

12. Financial instruments

The Organization as part of its operations carries a number of financial instruments. It is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments except as otherwise disclosed.

Credit concentration

Financial instruments that potentially subject the Organization to concentrations of credit risk consist primarily of trade accounts receivable. Included in accounts receivable is $498,977 (2006 - $460,226) due from the Winnipeg Regional Health Authority. The Organization believes that there is no unusual exposure associated with the collection of these receivables. The Organization performs regular credit assessments of its customers and provides allowances for potentially uncollectible accounts receivable.

Fair value of financial instruments

Fair value estimates are subjective in nature and involve uncertainties and matters of significant judgment. Changes in the following assumptions could significantly affect the estimates.

The carrying values of current financial assets and liabilities approximates their fair values, due to the short-term nature of these instruments.

The carrying value of the Organization's floating rate long-term debt approximates its fair value, because interest charges under the terms of the debt are based upon current Canadian bank prime rates. The fair value of the Organization's fixed rate long-term debt is also approximated by its carrying value, as there have been no significant changes in lending rates or other conditions.

13. Economic dependence

A significant portion of the Organization's operating funds are provided by Manitoba Health and/or Winnipeg Regional Health Authority and its ability to continue viable operations is dependent upon maintaining this funding.

14. Statement of cash flows

A statement of change in cash flows has not been prepared because the information about operating, financing and investing activities and their effects on cash resources are readily apparent from the other financial information.

15. Year end adjustment - revenues

The year end adjustment in the revenues section of the Statement of Operations represents the difference in the funding budget and actual for residential charges received from residents. This amount is set up as a payable to Winnipeg Regional Health Authority (WRHA) and represents a decrease to WRHA revenue.

booke
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Auditors' Report

To the Directors of
Women's Health Clinic Inc.

We have audited the statement of financial position of Women's Health Clinic Inc. as at March 31, 2007 and the statements of financial activities, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraphs, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, Women's Health Clinic Inc. derives part of its revenues from the general public in the form of contributions and fundraising the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Organization and we were not able to determine whether any adjustments might be necessary to contributions and fundraising, excess of revenues over expenses, current assets and changes in fund balances.

In our opinion, except as explained above and the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of those revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Organization as at March 31, 2007 and the results of its operations, the changes in its fund balances and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Booke & Partners
Chartered Accountants

Winnipeg, Canada
May 17, 2007

Women's Health Clinic Inc.
Statement of Financial Activities

Year Ended March 31				2007	2006
	Operating Fund	Donation Fund	Capital Fund	**Total**	Total
Revenues					
Winnipeg Regional Health Authority					
Fixed payments	$2,238,674	$ -	$ -	**$2,238,674**	$2,175,307
Capital payments	-	-	27,178	**27,178**	22,437
United Way of Winnipeg	188,310	6,420	-	**194,730**	153,997
Province of Manitoba	140,542	2,406	-	**142,948**	137,457
Challenge grant	2,713	-	-	**2,713**	-
Medical supplies	72,173	30,324	-	**102,497**	106,492
Membership	1,405	-	-	**1,405**	1,218
Miscellaneous	33,560	-	-	**33,560**	30,161
Investment income	-	15,148	-	**15,148**	4,217
Health Canada	195,382	-	-	**195,382**	178,307
The Winnipeg Foundation	33,894	-	-	**33,894**	54,564
Annual general meeting	995	-	-	**995**	1,145
Fee for service	297,415	-	-	**297,415**	18,396
Margaret Laurence	-	-	-	-	4,000
Contributions and fundraising	-	33,217	10,493	**43,710**	44,544
Rent	-	-	19,215	**19,215**	12,840
	3,205,063	87,515	56,886	**3,349,464**	2,945,082
Expenses					
Operating Fund (Page 11)	3,173,842	-	-	**3,173,842**	2,745,964
Donation Fund (Page 12)	-	62,783	-	**62,783**	56,522
Amortization	-	-	68,282	**68,282**	47,742
Interest on mortgage	-	-	38,615	**38,615**	30,609
	3,173,842	62,783	106,897	**3,343,522**	2,880,837
Excess (deficiency) of revenues over expenses before under noted items	31,221	24,732	(50,011)	**5,942**	64,245
Winnipeg Regional Health Authority recovery	-	-	-	-	26,865
Pre-retirement leave (Note 12)					
Prior year recovery	16,180	-	-	**16,180**	-
Current year recovery	15,217	-	-	**15,217**	-
Expense	(22,712)	-	-	**(22,712)**	(127,428)
Excess (deficiency) of revenues over expenses	$ 39,906	$ 24,732	$ (50,011)	**$ 14,627**	$ (36,318)

See accompanying notes to the financial statements.

Women's Health Clinic Inc.
Statement of Changes in Fund Balances

March 31

				2007	2006
	Operating Fund	Donation Fund	Capital Fund	**Total**	Total
Fund balance, beginning of year	$ (82,340)	$ 104,228	$ 84,645	**$ 106,533**	$ 142,851
Excess (deficiency) of revenues over expenses	39,906	24,732	(50,011)	**14,627**	(36,318)
Fund balance, end of year	$ (28,785)	$ 115,311	$ 34,634	**$ 121,160**	$ 106,533

See accompanying notes to the financial statements.

Women's Health Clinic Inc.
Statement of Financial Position

March 31	2007	2006
		Note 10
Assets		
Current		
Cash and short-term investments (Note 3)	**$ 560,831**	$ 466,205
Receivables	**124,584**	96,067
Due from Winnipeg Regional Health Authority	**105,352**	106,631
Inventories	**20,585**	29,552
Prepaids	**6,480**	6,296
	817,832	704,751
Capital (Note 4)	**962,466**	989,108
	$1,780,298	$1,693,859

Liabilities		
Current		
Payables and accruals	**$ 394,399**	$ 331,826
In Trust for Women's Health Conference	**5,306**	5,306
Deferred revenue	**8,052**	7,072
Deferred contributions		
Operating Fund (Note 5)	**182,240**	151,055
Related to capital assets (Note 6)	**306,017**	328,349
Demand loans (Note 7)	**612,984**	636,290
	1,508,998	1,459,898
Pre-retirement leave	**150,140**	127,428
	1,659,138	1,587,326
Fund Balances		
Operating Fund	**(28,785)**	(82,340)
Donation Fund	**115,311**	104,228
Capital Fund	**34,634**	84,645
	121,160	106,533
	$1,780,298	$1,693,859

On behalf of the Board

Holly Bann Director Laurie Helgason Director

See accompanying notes to the financial statements.

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Women's Health Clinic Inc.
Statement of Cash Flows

Year Ended March 31	2007	2006
Cash derived from (applied to)		
Operating		
Excess (deficiency) of revenues over expenses	$ 14,627	$ (36,318)
Amortization	68,282	47,742
Bad debt	20,000	-
Amortization of deferred contributions	(37,671)	(32,192)
	65,238	(20,768)
Change in non-cash operating assets and liabilities (Note 8)	76,663	246,626
	141,901	225,858
Investing		
Purchase of capital assets	(39,308)	(133,433)
Funding received to purchase capital assets	15,339	93,908
	(23,969)	(39,525)
Financing		
Repayment of demand loan	(23,306)	(31,251)
Proceeds from mortgage	-	70,172
Proceeds from loan	-	10,000
	(23,306)	48,921
Net increase in cash	94,626	235,254
Cash, beginning of year	466,205	230,951
Cash, end of year	$ 560,831	$ 466,205

See accompanying notes to the financial statements.

1. Nature of operations

Women's Health Clinic Inc. is a Community Health Centre based on principles of feminism, equity and diversity. The Organization works towards promoting the health and well-being of women. The approach to health is to facilitate empowerment, choice and action.

The Organization was formed in 1981, is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

2. Significant accounting policies

The organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

a) Fund accounting

Revenues and expenses related to program delivery and administrative activities are reported in the Operating Fund.

The Donation Fund reports all donations and fundraising activities. The resources of this fund are disbursed subject to the Board of Directors' approval or relevant restrictions.

The Capital Fund reports the assets and liabilities, revenues and expenses related to the organization's capital assets.

b) Revenue recognition

Women's Health Clinic Inc. follows the deferral method of accounting for contributions.

Restricted contributions are recognized as revenue of the appropriate fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

c) Inventories

Inventories are valued at the lower of cost and net realizable value with cost being determined on a first-in, first-out basis.

d) Capital assets

Purchased capital assets are recorded in the Capital Fund at cost. Contributed capital assets are recorded in the Capital Fund at the fair value at the date of contribution.

2. Significant accounting policies (cont.)

e) Amortization

Amortization is provided at rates designed to write off the assets over their estimated useful lives as follows:

Building and improvements	25 years	straight-line
Computers	5 years	straight-line
Furniture and fixtures	10 years	straight-line
Leaseholds	10 years	straight-line
Security system	10 years	straight-line
Medical equipment	5 years	straight-line

Amortization expense is reported in the Capital Fund.

f) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

g) Financial instruments

Unless otherwise stated in these financial statements, the fair value of the Organization's financial assets and liabilities approximate their carrying value. It is management's opinion that the organization is not exposed to significant interest, currency or credit risk arising from these financial instruments.

3. Cash and short term investments

The organization has a line of credit in the amount of $25,000 which is not being used at March 31, 2007 nor at March 31, 2006.

4. Capital assets

	Cost	Accumulated Amortization	**2007** Net Book Value	2006 Net Book Value
Land	$ 130,000	$ -	**$ 130,000**	$ 130,000
Building and improvements	830,667	103,102	**727,565**	742,619
Computers	66,463	57,409	**9,054**	22,346
Furniture and fixtures	98,249	40,538	**57,711**	65,941
Security system	45,591	11,609	**33,982**	28,202
Medical equipment	5,193	1,039	**4,154**	-
	$ 1,176,163	$ 213,697	**$ 962,466**	$ 989,108

5. Deferred contributions

Deferred contributions represent restricted funding and unspent resources externally restricted for the Operating Fund which relate to the subsequent year.

	2007	2006
Health Canada	**$ 17,770**	$ 27,440
United Way of Winnipeg	**6,690**	-
Anonymous	**-**	2,692
University of Alberta	**4,255**	23,326
Winnipeg Regional Health Authority	**138,695**	54,825
Healthy Child Manitoba	**10,126**	20,459
The Winnipeg Foundation	**3,184**	19,385
CWHN	**1,500**	2,500
Healthy Baby	**20**	428
	$ 182,240	$ 151,055

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets of $306,017 (2006 - $328,349) represent grants and donations for building, computers, and furniture and fixtures. Deferred contributions are amortized on the statement of financial activities.

7. Demand loans

	2007	2006
Mortgage, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $4,960, due on demand	**$ 606,366**	$ 627,745
Loan, payable to Assiniboine Credit Union, interest at prime rate plus 1/4%, repayable in blended monthly installments of $200, due on demand	**6,618**	8,545
	$ 612,984	$ 636,290

The organization's land and building are pledged as security for the debt.

Principal repayments of the demand loan obligation estimated to be required in each of the next five years are as follows:

2008	$ 27,547
2009	29,174
2010	30,896
2011	30,355
2012	32,041
	$ 150,013

8. Change in non-cash operating assets and liabilities

	2007	2006
Receivables and due from Winnipeg Regional Health Authority	**$ (27,238)**	$ (26,869)
Inventories	**8,967**	(14,579)
Prepaids	**(184)**	(328)
Payables and accruals	**85,285**	193,727
Deferred revenue and deferred contributions	**9,833**	94,675
	$ 76,663	$ 246,626

9. Economic dependence

The volume of financial activity undertaken by Women's Health Clinic Inc. with its main funding bodies is of sufficient magnitude that the discontinuance of their funding would endanger the ability of the organization to continue as a going concern.

10. Comparative figures

Certain balances of the preceding year have been reclassified to conform with the current year's financial statement presentation.

11. Endowment fund

In 2002 the organization established an Endowment Fund to be held in perpetuity at The Winnipeg Foundation. Interest revenue earned by this fund is available to the Women's Health Clinic annually to support general operations. As of March 31, 2007, the Organization's contributions to the Endowment Fund totalled $47,295 (2006 - $35,008).

12. Pre-retirement leave benefits

The organization has a contractual commitment for the pre-retirement benefits for the members of the pension plan based on years of service before retirement. During the year ended March 31, 2006 the organization was instructed by WRHA to record the full obligation. The Winnipeg Regional Health Authority calculated and advised the organization of the amount of the obligation. Pre retirement leave benefits are considered an out-of-globe funding item, of which the Winnipeg Regional Health Authority has instructed the organization to set up a receivable for the percentage of the change in the pre-retirement leave obligaton that belongs to Winnipeg Regional Health Authority programs. The change in the accrued pre-retirement leave benefits are recorded as an expense in the current year. During the year the obligation increased by $22,712 (2006 - $127,428).

A portion of the pre-retirement benefits for the prior year of $16,180 (2006 - $NIL) and current year of $15,217 (2006 - $NIL) were funded by Winnipeg Regional Health Authority during the year.

Women's Health Clinic Inc.
Schedule of Operating Fund Expenses

Year Ended March 31	2007	2006
Salaries	**$1,832,309**	$1,466,093
Employee benefits	**245,179**	195,422
Purchased services	**403,528**	653,006
Community relations	**10,849**	15,630
Association membership fees	**1,017**	333
Labour relations membership fees	**385**	918
Bad debt	**32,500**	23,519
Bonding and insurance	**7,798**	1,832
Postage	**23,437**	14,124
Printing, stationery and office supplies	**57,028**	45,167
Professional fees	**8,121**	2,857
Accounting and computer fees	**38,173**	37,747
Staff recruitment	**1,017**	344
Staff training	**17,941**	7,390
Telephone	**31,624**	18,354
Other supplies	**29,414**	25,580
Medical and surgical supplies	**85,019**	10,576
Purchases of medical supplies inventories	**96,912**	89,196
Repairs and maintenance	**89,654**	88,656
Health education materials	**1,452**	1,987
Occupancy costs (recovered)	**104,944**	(3,868)
Utilities	**35,819**	29,494
Volunteer services	**321**	786
Lectures and honorariums	**5,376**	6,039
Travel	**14,025**	12,182
Margaret Laurence	**-**	2,600
	$3,173,842	$2,745,964

See accompanying notes to the financial statements.

Women's Health Clinic Inc.
Schedule of Donation Fund Expenses

Year Ended March 31	2007	2006
Volunteer appreciation	$ **3,228**	$ 2,807
Fundraising	**17,495**	15,263
Programs	**29,773**	25,944
The Winnipeg Foundation "Women's Health Clinic Fund" (Note 11)	**12,287**	12,508
	$ **62,783**	$ 56,522

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AUDITORS' REPORT

To the Board of Directors of
Rehabilitation Centre For Children, Inc.

We have audited the statement of financial position of the Rehabilitation Centre For Children, Inc. as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Centre's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Centre as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Winnipeg, Manitoba
May 24, 2007

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Operations

Year Ended March 31, 2007

	2007	2006 (Restated - Note 3)
REVENUE		
Patient services - Winnipeg Regional Health Authority	$ 2,277,517	$ 2,211,238
WRHA Pre-retirement funding	34,774	-
Block Funding Prosthetics - Winnipeg Regional Health Authority	162,000	162,000
Sales of prosthetics	31,818	43,089
Sales of orthotics	385,167	337,836
Restricted donations		
Rehabilitation Centre for Children Foundation Incorporated (Note 8)	263,854	278,673
Sales of assistive devices	138,570	148,845
School therapy program	1,258,880	1,075,143
Provincial Outreach Therapy for Children program	491,220	385,100
Childrens' Therapy Initiative	170,000	128,000
Miscellaneous	81,453	69,737
	5,295,253	4,839,661
EXPENSES		
Salaries	1,958,911	1,910,574
Employee benefits and costs	406,533	358,293
Prosthetics supplies	58,710	75,877
Orthotics supplies	57,141	59,304
Special devices supplies	195,139	181,980
Other supplies and expenses	179,939	157,638
Restricted expenditures		
Rehabilitation Centre for Children Foundation Incorporated	263,484	279,072
School therapy salaries and other costs	1,261,079	1,075,871
Provincial Outreach Therapy for Children salaries and other costs	464,415	379,554
Childrens' Therapy Initiative and other costs	224,861	107,416
Repairs and maintenance	39,937	32,312
Utilities, insurance and taxes	69,980	74,453
Purchased services	79,343	50,543
	5,259,472	4,742,887
EXCESS OF REVENUE OVER EXPENSES BEFORE THE FOLLOWING	35,781	96,774
OTHER INCOME (EXPENSES)		
Amortization of deferred contributions	50,351	48,808
Amortization of capital assets	(55,104)	(71,239)
Interest income	22,902	9,320
Funding adjustments relating to prior years	17,694	(4,206)
	35,843	(17,317)
EXCESS OF REVENUE OVER EXPENSES	$ 71,624	$ 79,457

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Financial Position

March 31, 2007

	2007	2006 (Restated - Note 3)
ASSETS		
CURRENT		
Cash	**$ 496,574**	$ 379,765
Accounts receivable (Note 4)	**444,721**	363,238
Inventory	**169,352**	197,278
Prepaid expenses	**20,614**	4,023
Accounts receivable - vacation pay - WRHA (Note 2d)	**155,997**	155,997
	1,287,258	1,100,301
RESTRICTED CASH (Note 9a)	**13,846**	9,822
ACCOUNTS RECEIVABLE - EMPLOYEE FUTURE BENEFITS (Note 2d)	**189,236**	165,643
CAPITAL ASSETS (Note 5)	**259,570**	269,443
	$ 1,749,910	$ 1,545,209
LIABILITIES		
CURRENT		
Accounts payable	**$ 228,947**	$ 145,074
Accrued vacation pay - WRHA (Note 2d)	**152,011**	155,825
Accrued vacation pay - Other Funders	**52,316**	43,372
	433,274	344,271
ACCRUED EMPLOYEE FUTURE BENEFITS (Note 2d)	**425,959**	379,935
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 6)	**208,683**	210,633
	1,067,916	934,839
NET ASSETS		
Invested in capital assets (Note 9a)	**64,733**	68,632
Restricted POTC (Note 10)	**69,923**	43,118
Restricted Childrens' Therapy (Note 10)	**29,733**	84,594
Unrestricted	**517,605**	414,026
	681,994	610,370
	$ 1,749,910	$ 1,545,209

APPROVED BY THE BOARD

.... Director

.... Director

REHABILITATION CENTRE FOR CHILDREN, INC.

Statement of Changes in Net Assets

Year Ended March 31, 2007

	2007					2006
	Invested in Capital Assets (Note 9a)	POTC Restricted (Note 10)	Childrens' Therapy Restricted (Note 10)	Unrestricted	**Total**	Total
Balance, beginning of year as previously reported	$ 43,109	$ 43,118	$ 84,594	$ 453,133	**$ 623,954**	$ 519,799
Prior period adjustment (note 3)	25,523	-	-	(39,107)	**(13,584)**	11,114
Balance, beginning of year as restated	68,632	43,118	84,594	414,026	**610,370**	530,913
Fund transfers	658	-	-	(658)	-	-
SSCY Capital investment	196	-	-	(196)	-	-
Excess of revenue over expenses (expenses over revenue) (Note 9b)	(4,753)	26,805	(54,861)	104,433	**71,624**	79,457
Balance, end of year	$ 64,733	$ 69,923	$ 29,733	$ 517,605	**$ 681,994**	$ 610,370

REHABILITATION CENTRE FOR CHILDREN, INC.
Statement of Cash Flows
Year Ended March 31, 2007

	2007	2006 (Restated - Note 3)
OPERATING ACTIVITIES		
Excess of revenue over expenses	$ 71,624	$ 79,457
Add charges (deduct credits) to operations not requiring a current cash payment		
Amortization of capital assets	55,104	71,239
Amortization of deferred contributions	(50,351)	(48,808)
Future employee benefits	27,561	18,674
	103,938	120,562
Net change in non-cash working capital balances related to operations	13,725	(84,342)
	117,663	36,220
FINANCING AND INVESTING ACTIVITIES		
Increase in deferred contributions related to capital assets	48,401	82,323
Changes in cash restricted for purchases of capital	(4,024)	11,436
Purchase of capital assets	(45,231)	(130,325)
	(854)	(36,566)
NET INCREASE (DECREASE) IN CASH POSITION	116,809	(346)
CASH POSITION, BEGINNING OF YEAR	379,765	380,111
CASH POSITION, END OF YEAR	$ 496,574	$ 379,765

1. NATURE AND OBJECTIVES OF THE CENTRE

The Rehabilitation Centre for Children, Inc. (the "Centre") was incorporated by Articles of Incorporation under the Corporations Act of Manitoba on March 2, 1981 without authorized share capital, and is a registered charity under the Income Tax Act.

The mission of the Rehabilitation Centre for Children, Inc. is to support children with special needs in Manitoba and surrounding areas in reaching their goals and participating in their communities. Together, with families and our partners, we provide a centre of excellence for children's rehabilitation, which includes direct service, education, research, and innovative technologies that are developed and delivered in an integrated, service system.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) *Revenue*

i) Funding from Winnipeg Regional Health Authority (WRHA)

The Centre is funded during the year by the WRHA for certain approved budgeted expenses, excluding school therapy, provincial outreach therapy, orthotics, and children's therapy initiative. The Centre is entitled to retain surpluses up to a maximum of 2% of Winnipeg Regional Health Authority approved programs.

ii) Other Funding Sources

The Centre receives funding from other sources including Rehabilitation Centre for Children Foundation Inc., Province of Manitoba Family Services, Manitoba Health and school divisions for specified programs.

b) *Inventory*

Inventory is valued at the lower of cost or replacement cost.

c) *Capital assets*

Equipment acquired April 1, 1981 is recorded at a nominal value. Additions to equipment subsequent to April 1, 1981 are recorded at cost. Contributed capital assets are recorded at fair value at the date of contribution and recorded as restricted donations. Repairs and maintenance costs are charged to expense.

Capital assets are amortized on a straight-line basis over the following estimated useful lives:

Building and building service equipment	20 years
Equipment and furniture	5 - 25 years
Information systems	5 – 10 years

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Accounts Receivable – employee future benefits

The Centre records a provision for future employee benefits including accrued vacation entitlements, accrued overtime and accrued retirement entitlement obligations. For certain employees, funding for the future employee benefits is recoverable from the Winnipeg Regional Health Authority (WRHA) as a component of salary costs in the period in which the expenditures are made. Accordingly, for those employees funded by the WRHA, the cost of the estimated accrued vacation pay, overtime and retirement entitlement obligations at year-end is deferred to enable an appropriate matching of expenses with income secured in subsequent years. The amount of the receivable is being recorded on a non-discounted basis consistent with the carrying value recorded in the financial statements of the WRHA, a related party to the Centre. The fair value of the receivable on a discounted basis would be significantly less than the carrying value and the difference could be materially influenced by the effective discount rate utilized.

e) Revenue recognition

The Centre follows the deferral method of accounting for contributions which includes donations and government grants. Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Where a portion of a grant is related to a future period, it is deferred and recognized in that subsequent period.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the year in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue at the same rate as the corresponding capital asset.

f) Financial instruments

Credit risk
Credit risk arises from the potential that a counterparty will fail to perform its obligations. In addition, the Centre is exposed to credit risk from its customers. However, the Centre has a large number of customers which minimizes the concentration of credit risk.

Fair value
The fair value of cash, accounts receivable, inventory, prepaid expenses, accounts payable, and accrued vacation pay is approximately equal to their carrying values due to their short-term maturity.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

3. PRIOR PERIOD ADJUSTMENT

During the year, the Centre has determined that certain capital assets which are owned by clients and not the Centre were incorrectly included in the carrying value of capital assets and deferred contributions related to capital assets. As a result, the Centre has retroactively restated the prior year comparative figures to reflect the error. The effect on the March 31, 2006 statement of financial position is to decrease capital assets by $16,944, to decrease deferred contributions related to capital assets by $42,467, and to increase net assets invested in capital assets by $25,523.

The Centre also determined that it had previously inadvertently recorded a receivable for vacation pay from other funders. As a result, the Centre has retroactively restated the prior year comparative figures to correct the error. The effect on the March 31, 2006 statement of financial position was to decrease accounts receivable – vacation pay Other Funders by $39,107 and decrease unrestricted net assets by $39,107. The effect on the statement of operations for the year ended March 31, 2006 was to increase school therapy salaries and other costs by $24,698 and decrease the excess of revenue over expenses accordingly. Opening unrestricted net assets as at April 1, 2005 was decreased by $14,409.

4. ACCOUNTS RECEIVABLE

	2007	2006
Patient services	**$ 81,729**	$ 103,622
School divisions	**206,672**	110,458
Manitoba Health Patient services	**49,443**	19,352
Winnipeg Regional Health Authority Operations	**44,774**	58,522
Family Services and Housing	-	33,200
Due from Rehabilitation Centre for Children Foundation Incorporated (Note 8)	**60,079**	34,788
Other	**2,024**	3,296
	$ 444,721	$ 363,238

5. CAPITAL ASSETS

	2007			(Restated) 2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Building and building service equipment	$ 198,026	$ 198,026	$ -	$ -
Equipment and furniture	499,925	317,901	182,024	178,513
Information systems	235,313	157,767	77,546	90,930
	$ 933,264	$ 673,694	$ 259,570	$ 269,443

6. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

Deferred contributions related to capital assets represent the unamortized amount and unspent amount of donations and funding received for the purchase of capital assets. The amortization of capital contributions is recorded in the statement of operations. Changes in the deferred contributions are as follows:

	2007	2006
Balance, beginning of year as previously reported	$ 253,100	$ 219,584
Prior period adjustment (note 3)	(42,467)	(42,467)
Balance, beginning of year as restated	210,633	177,117
Add: contributions	48,401	82,324
Less: amounts amortized to revenue	(50,351)	(48,808)
	$ 208,683	$ 210,633

7. PENSION PLAN

Substantially all of the employees of the Centre are members of the Healthcare Employees Pension Plan (the "Plan"), which is a multi-employer defined benefit pension plan available to all eligible employees of the participating facilities. Plan members will receive benefits based on the length of services and on the average of annualized earnings calculated on the best five of the eleven consecutive years prior to retirement, termination or death, that provide the highest earnings. The costs of the benefit plan are not allocated to the individual facilities. As a result, individual participating facilities are not able to identify their share of the underlying assets and liabilities and accordingly, the plan is accounted for as a defined contribution plan.

Variances between actuarial funding estimates and actual experience may be material and any differences are generally to be funded by the participating members. The most recent actuarial valuation of the Plan as at January 1, 2006 indicates the Plan is fully funded. Contributions to the Plan made during the year by the Centre on behalf of its employees amounted to $210,507 (2006 - $178,310) and are included in the statement of operations.

8. RELATED ENTITIES

The Rehabilitation Centre for Children Foundation Incorporated (the Foundation) exists solely to support the activities of the Rehabilitation Centre for Children, Inc. A member of the Centre's Board of Directors sits as a Director on the Foundation's 15 member Board. The Foundation is incorporated under the Corporations Act of Manitoba and is a registered charity under the Income Tax Act. The Foundation may, at its discretion, fund specific projects of the Centre but such funding is for restricted purposes and is not available for general operating activities. The financial statements of the Foundation have not been consolidated in these statements. The financial summary of the controlled entity is as follows:

	2007	2006
Financial Position		
Total assets	$ 1,834,325	$ 1,656,336
Total liabilities	88,400	76,017
Total net assets	$ 1,745,925	$ 1,580,319
Results of Operations		
Total revenues	$ 867,725	$ 694,030
Total expenses	702,119	625,347
Excess of revenue over expenses	$ 165,606	$ 68,683

During the year, the Foundation donated a total of $314,830 to the Centre in the form of cash and capital donations (2006 - $346,297).

9. INVESTMENT IN CAPITAL ASSETS

a) Investment in capital assets is calculated as follows:

	2007	(Restated) 2006
Restricted cash	$ **13,846**	$ 9,822
Capital assets	**259,570**	269,443
Amounts financed by deferred contributions	**(208,683)**	(210,633)
	$ **64,733**	$ 68,632

b) Change in net assets invested in capital assets is calculated as follows:

	2007	2006
Excess of expenses over revenue		
Amortization of deferred contributions related to capital assets	$ **50,351**	$ 48,808
Amortization of capital assets	**(55,104)**	(71,239)
	(4,753)	(22,431)

9. INVESTMENT IN CAPITAL ASSETS (continued)

Net change in investment in capital assets		
Restricted cash	**4,024**	(11,436)
Purchase of capital assets	**45,231**	130,325
Deferred contributions	**(48,401)**	(82,324)
	854	36,565
	$ (3,899)	$ 14,134

10. RESTRICTED NET ASSETS

Per the Centre's agreement with the Province of Manitoba Department of Family Services and Housing, surpluses generated through the Provincial Outreach Therapy for Children program are restricted to the future provision of outreach therapy services. In addition, funds received for the Children's Therapy Initiative are restricted for use for that program.

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the financial statement presentation adopted in the current year.

Management Report

The accompanying financial statements are the responsibility of the management of the Special Operating Agencies Financing Authority and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to July 16, 2007.

Management maintains internal controls to properly safeguard the Financing Authority's assets and to provide reasonable assurance that the books and records from which the financial statements are derived accurately reflect all transactions and that established policies and procedures are followed.

The responsibility of the Auditor General is to express an independent opinion on whether the financial statements of the Financing Authority are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of the audit examination and provides the audit opinion.

On behalf of Management,

Lynn Cowley

Lynn Cowley
Chairperson
Special Operating Agencies Financing Authority

July 16, 2007.

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITORS' REPORT

To the Legislative Assembly of Manitoba
To the Member of the Special Operating Agencies Financing Authority

We have audited the combined balance sheet of the Special Operating Agencies Financing Authority at March 31, 2007 and the combined statements of income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
July 16, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office: (204) 945-3790 fax: (204) 945-2169
www.oag.mb.ca

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Balance Sheet
(In Thousands)

March 31	2007	2006
Assets		
Current:		
Cash and Term deposits with the Minister of Finance	$ 32,116	$ 28,917
Customer deposits	1,352	1,271
Accounts receivable (Note 3)	12,540	11,659
Inventories	4,881	4,614
Prepaid expenses	3,154	2,674
	54,043	49,135
Trust assets	12	12
Restricted short-term deposits (Note 4)	750	750
Deposit in joint venture (Note 5)	200	200
Capital assets (Note 6)	70,376	68,222
Receivable from the Province of Manitoba (Note 7)	5,469	5,123
	$ 130,850	$ 123,442
Liabilities		
Current:		
Working capital advances (Note 8)	$ 8,502	$ 7,853
Accounts payable and accruals	12,757	11,788
Unearned revenue	4,624	4,085
Current portion - capital lease obligations	-	7
Current portion - long-term debt (Note 10)	6,992	6,460
	32,875	30,193
Trust liabilities	12	12
Unearned revenue	665	786
Deferred Capital Contributions (Note 9)	9,256	9,275
Long-term debt - Province of Manitoba (Note 10)	19,511	19,549
Severance liability (Note 12)	5,286	4,980
	67,605	64,795
Equity		
Contributed equity (Note 13)	17,837	17,828
Reserve funds (Note 14)	1,475	1,450
Retained earnings (Note 13)	43,933	39,369
	63,245	58,647
	$ 130,850	$ 123,442

Commitments (Note 15)

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Income and Retained Earnings
(In Thousands)

Year Ended March 31	2007	2006
Revenue		
Annual levy	$ 14	$ 13
Treasury Board Secretariat/Finance contribution	101	108
	115	121
Expenses		
Salaries and benefits	84	91
Other operating	29	29
	113	120
Financing Authority operations	2	1
Special Operating Agency operations – net income (loss)		
Civil Legal Services	16	456
Companies Office	2,185	2,076
Crown Lands and Property Agency (Note 1)	(388)	(161)
Fleet Vehicles Agency	3,070	2,595
Food Development Centre	389	(318)
Green Manitoba Eco Solutions (Note 1)	(155)	-
Industrial Technology Centre	(136)	(283)
MERLIN	314	42
Manitoba Securities Commission	8,440	7,089
Manitoba Text Book Bureau	18	77
Materials Distribution Agency	(174)	(14)
Office of the Fire Commissioner	663	329
Organization and Staff Development	269	100
Pineland Forest Nursery	(164)	(171)
The Property Registry	9,909	9,257
The Public Trustee	(70)	303
Vital Statistics Agency	546	247
Net income for the year	24,734	21,625
Retained earnings, beginning of year	39,369	35,664
Transfer from (to) Reserve Funds (Note 14)	(25)	150
Transfer of surplus funds to the Province of Manitoba		
Civil Legal Services	(200)	(250)
Companies Office	(1,615)	(1,615)
Fleet Vehicles Agency	(1,500)	(1,500)
Crown Lands and Property Agency	-	(250)
Manitoba Securities Commission	(7,250)	(7,000)
Materials Distribution Agency	(400)	(400)
The Property Registry	(9,000)	(6,915)
Vital Statistics Agency	(180)	(140)
	(20,145)	(18,070)
Retained earnings, end of year	$43,933	$39,369

See accompanying notes to the financial statements.

Special Operating Agencies Financing Authority
Province of Manitoba
Combined Statement of Cash Flows
(In Thousands)

Year Ended March 31	2007	2006
Cash derived from (applied to):		
Operating		
Net income	$ 24,734	$ 21,625
Amortization	13,487	13,130
Amortization of deferred capital contributions	(590)	(554)
Gain on disposal of capital assets	(546)	(558)
	37,085	33,643
Change in:		
Customer deposit accounts	(81)	(91)
Accounts receivable	(881)	(419)
Inventories	(267)	165
Prepaid expenses	(480)	(136)
Accounts payable and accruals	969	(2,485)
Severance liability	306	301
Unearned revenue	418	609
Cash derived from operating activities	37,069	31,587
Investing		
Proceeds from disposal of capital assets	2,125	1,915
Acquisition of capital assets	(17,220)	(18,186)
Transfer from restricted short-term deposits	-	250
Cash applied to investing activities	(15,095)	(16,021)
Financing		
Change in Receivable from the Province of Manitoba	(346)	-
Proceeds from long-term debt	7,060	9,772
Long-term debt repayments	(6,566)	(6,416)
Capital lease obligations	(7)	(70)
Transfer of surplus funds	(20,145)	(18,070)
Change in deferred capital contributions	571	1,568
Change in contributed equity	9	-
Cash applied to financing activities	(19,424)	(13,216)
Increase in cash and cash equivalents	2,550	2,350
Cash and cash equivalents:		
Beginning of year	21,064	18,714
End of year	$ 23,614	$ 21,064
Represented by:		
Cash and Term deposits with the Minister of Finance	$ 32,116	$ 28,917
Working capital advances	(8,502)	(7,853)
	$ 23,614	$ 21,064

See accompanying notes to the financial statements.

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1. Nature of organization

The Special Operating Agencies Financing Authority (the "Financing Authority") is a body corporate established effective April 1, 1992 under ***The Special Operating Agencies Financing Authority Act.*** Under the direction of the Minister of Finance, the Financing Authority consists of the Chairperson as its sole member and receives staff support from the Department of Finance.

The Financing Authority provides a mechanism for funding Special Operating Agencies (SOAs) that operate outside the Consolidated Fund. It functions as a non-operating holding company, with the mandate to hold and acquire assets required for and resulting from SOA operations. It finances SOAs through contributed equity, repayable loans, and working capital advances. This financial framework enables SOAs to operate in a business-like manner within government policy expectations.

SOAs are designated by regulation under the Act and operate under a charter approved by the Lieutenant Governor in Council. A management agreement between the Financing Authority and the Minister responsible for each SOA assigns responsibility to the agency to manage and account for SOA-related assets and operations on behalf of the Financing Authority. SOAs remain accountable to their Minister for the results they achieve with the authority and resources granted.

The Financing Authority is economically dependent on the Province of Manitoba. Currently, the Financing Authority derives most of its revenue and all of its capital financing requirements from the Province.

Effective April 1, 2006, the Province of Manitoba approved the establishment of a special operating agency known as the Crown Lands and Property Agency subject to the dissolution of Land Management Services (a special operating agency created April 1, 1995 through the designation of the former Land Acquisition Branch) of the Department of Infrastructure and Transportation; and consolidation of the Land Acquisition Branch with the Lands Branch, the Park Districts Records Unit and Agricultural Crown Lands Program of the Department of Infrastructure and Transportation.

Further, the Province of Manitoba approved special operating agency status effective April 1, 2006 for Green Manitoba Eco Solutions (formerly a program of the Department of Energy, Science and Technology), which reports under the Department of Science, Technology, Energy and Mines.

SOAs in operation during the fiscal year ended March 31, 2007 were as follows:

Civil Legal Services, Department of Justice
Companies Office, Department of Finance
Crown Lands and Property Agency, Department of Infrastructure and Transportation
Fleet Vehicles Agency, Department of Infrastructure and Transportation
Food Development Centre, Department of Agriculture, Food and Rural Initiatives
Green Manitoba Eco Solutions, Department of Science, Technology, Energy and Mines
Industrial Technology Centre, Department of Science, Technology, Energy and Mines
Manitoba Education, Research and Learning Information Networks (MERLIN), Department of Science, Technology, Energy and Mines

1. Nature of organization (continued)

Manitoba Securities Commission, Department of Finance
Manitoba Text Book Bureau, Department of Education, Citizenship and Youth
Materials Distribution Agency, Department of Infrastructure and Transportation
Office of the Fire Commissioner, Department of Labour and Immigration
Organization and Staff Development, Civil Service Commission
Pineland Forest Nursery, Department of Conservation
The Property Registry, Department of Finance
The Public Trustee, Department of Justice
Vital Statistics Agency, Department of Finance.

2. Significant accounting policies

The financial statements of the Financing Authority are presented in accordance with Canadian generally accepted accounting principles.

Basis of reporting

The financial statements of the Financing Authority reflect the financial position and operating results of SOAs currently governed by management agreements with the Financing Authority. These statements are presented on a combined basis. Therefore, inter-agency balances and transactions have not been eliminated.

The following policies apply to the Financing Authority, as well as to all agencies combined herein.

Amortization of capital assets

Vehicles, fire engines	30%, declining balance
Vehicles (signed lease agreement)	straight line over term of lease
Equipment and furniture	6 2/3% - 20%, straight line 20% - 30%, declining balance
Computer equipment and software	20%, straight line 20%, declining balance
Rental equipment (Materials Distribution Agency)	2, 3, or 5 years, straight line
Buildings	15 - 40 years, straight line 10%, declining balance
Practical training site (Office of the Fire Commissioner)	20 years, straight line
Leasehold improvements	5 - 10 years, straight line
Other assets	5 - 10 years, straight line

2. Significant accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realizable value.

Financial Instruments

The carrying amounts of the current assets and liabilities are reasonable estimates of their fair value because of the short-term maturity of these instruments.

Administrative expenses paid by the Province of Manitoba

The Treasury Board Secretariat / Finance contribution covers salaries and benefits and certain operating expenses, paid by the Province of Manitoba on behalf of the Financing Authority.

Use of estimates

In the preparation of the Financing Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the period. Actual amounts could differ from these estimates.

3. Accounts receivable

	2007	2006
Trade	$11,059	$11,054
Insurance agency rebate	466	420
Other	1,015	185
	$12,540	$11,659

The trade receivables are mostly due from the Province of Manitoba.

The insurance agency rebate is for discounts receivable by the Fleet Vehicles Agency from the Manitoba Public Insurance Corporation based on favourable claims experience for the Province's vehicle fleet in the previous insurance year.

4. Restricted short-term deposits

The Manitoba Securities Commission maintains separate short-term deposits with the Province of Manitoba to fund expenses which may arise with respect to the Reserve Fund (Note 14b).

5. Deposit in joint venture

During the 2004/05 fiscal year, the Food Development Centre contributed $200 towards the purchase of a piece of equipment for Great Plains Aseptic Processors Ltd. To date, no formal agreement has been finalized as to the revenue sharing arrangement from this piece of equipment.

6. Capital assets

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Vehicles, fire engines	$ 91,821	$42,545	$49,276	$47,121
Equipment and furniture	14,480	8,601	5,879	5,368
Rental equipment	4,311	3,210	1,101	857
Computer equipment and software	5,278	3,792	1,486	1,473
Buildings	14,626	4,771	9,855	10,169
Practical training site	2,244	921	1,323	1,428
Leasehold improvements	2,328	1,504	824	1,009
Other assets	2,817	2,185	632	797
	$137,905	$67,529	$70,376	$68,222

7. Receivable from the Province of Manitoba

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of certain agencies prior to their designation as SOAs. It also includes severance pay benefits earned by SOA employees to March 31, 1998; the benefits accumulated by the employees of the Manitoba Securities Commission prior to March 31, 1999; and the benefits earned by certain employees of the Crown Lands and Property Agency prior to March 31, 2006.

The balance is comprised of:

	2007	2006
Vacation entitlements	$ 1,841	$ 1,708
Severance pay benefits	3,628	3,415
	$5,469	$ 5,123

7. Receivable from the Province of Manitoba (continued)

The receivable or portion thereof, for an individual SOA will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of an SOA.

8. Working capital advances

The Minister of Finance, with Lieutenant-Governor-in-Council approval by Orders in Council 747/1992, 242/1994, 152/1995, 151/1996, 136/1997, 168/1998, 129/2000, 185/2005, and 134/2006, has arranged for working capital advances to be available to the Financing Authority. The aggregate of the outstanding advances is not to exceed $25,070 (2006 - $21,370) at any one time. As at March 31, 2007, $ 16,568 (2006 - $13,517) of these advances was unused and available.

9. Deferred capital contributions

Deferred capital contributions, represent the unamortized amount of contributions received by the Food Development Centre from the Federal Government and the Province of Manitoba, for the purchase of equipment and construction of a building. These amounts will be taken into income to match the amortization of the equipment and building.

10. Long-term debt - Province of Manitoba

		2007	2006
5.375%	repayable in semi-annual instalments of $121 principal and interest, maturing in 2007	$ -	$ 118
4.750%	repayable in semi-annual instalments of $243 principal and interest, maturing in 2007	-	237
5.625%	repayable in semi-annual instalments of $174 principal and interest, maturing in 2007	-	334
4.250%	repayable in semi-annual instalments of $176 principal and interest, maturing in 2008	176	516
4.750%	repayable in semi-annual instalments of $397 principal and interest, maturing in 2008	767	1,499
6.425%	repayable in semi-annual instalments of $146 principal and interest, maturing in 2009	540	785

10. Long-term debt – Province of Manitoba (continued)

3.625%	repayable in semi-annual instalments of $149 principal and interest, maturing in 2009	571	842
3.500%	repayable in semi-annual instalments of $259 principal and interest, maturing in 2009	991	1,462
5.250%	repayable in semi-annual instalments of $159 principal and interest, maturing in 2010	738	1,007
5.625%	repayable in semi-annual instalments of $134 principal and interest, maturing in 2010	618	843
4.125%	repayable in semi-annual instalments of $56 principal and interest, maturing in 2010	263	361
4.000%	repayable in semi-annual instalments of $ 167 principal and interest, maturing in 2010	935	1,223
4.375%	repayable in semi-annual instalments of $438 principal and interest, maturing in 2010	2,440	3,186
5.125%	repayable in semi-annual instalments of $123 principal and interest, maturing in 2011	776	974
4.750%	repayable in semi-annual instalments of $ 227 principal and interest, maturing in 2011	1,637	2,000
4.750%	repayable in semi-annual instalments of $ 451 principal and interest, maturing in 2011	3,250	3,972
4.875%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2012	1,093	1,305
4.750%	repayable in semi-annual instalments of $ 102 principal and interest, maturing in 2012	819	-
4.625%	repayable in semi-annual instalments of $ 475 principal and interest, maturing in 2013	4,200	-

10. Long-term debt – Province of Manitoba (continued)

4.750%	repayable in semi-annual instalments of $ 137 principal and interest, maturing in 2013	1,308	1,512
4.050%	repayable in semi-annual instalments of $ 140 principal and interest, maturing in 2014	1,589	1,798
4.875%	repayable in semi-annual instalments of $ 148 principal and interest, maturing in 2015	1,935	-
4.125%	repayable in semi-annual instalments of $ 117 principal and interest, maturing in 2016	1,662	1,822
5.800%	repayable in annual instalments of $ 18 principal and interest, maturing in 2018	195	213
		26,503	26,009
	Amount due within one year	6,992	6,460
		$ 19,511	$ 19,549

Principal repayments in each of the next five years are as follows:

2008	$6,992
2009	6,330
2010	5,154
2011	3,689
2012	2,126

No loan authority remained available as of March 31, 2006. Loan authority availability of $8,300 for 2006/07 was approved for Fleet Vehicles Agency during June 2006 in The Loan Act, 2006. Loan authority amounts were drawn down at various times during the 2006/07 year, with $7,060 in availability utilized as of March 31, 2007.

11. Pension benefits

Employees of SOAs are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including the special operating agencies, through the Civil Service Superannuation Fund.

11. Pension benefits (continued)

Prior to April 1, 2001, only the Industrial Technology Centre and the Food Development Centre matched their employee's current contributions to the CSSB and had no additional liability under the CSSA.

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, the remaining SOAs transferred to the Province the pension liability for their employees. Commencing April 1, 2001, these SOAs were required to pay to the Province an amount equal to their employees' current pension contributions. The amount paid for 2007 was $1,978 (2006 - $1,743). Under this agreement, these SOAs have no further pension liability.

12. Severance liability

Effective April 1, 1998 or the date of their creation, whichever is later; SOAs began recording accumulated severance pay benefits for their employees. The amount of their severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The special operating agencies' actuarially determined net liability for accounting purposes as at March 31, 2007 was $5,286 (2006 - $4,980). Commencing in the 2006 fiscal year the actuarial loss of $367 is being amortized over the 15 year expected average remaining service life of the employee group.

13. Equity

Contributed equity	2007	2006
Fleet Vehicles Agency	$ 4,284	$ 4,284
Green Manitoba Eco Solutions	9	-
Industrial Technology Centre	62	62
Manitoba Text Book Bureau	550	550
Materials Distribution Agency	1,297	1,297
Office of the Fire Commissioner	11,279	11,279
Pineland Forest Nursery	356	356
	$17,837	$17,828

13. Equity (continued)

Retained earnings

	2007	2006
Civil Legal Services	$ 729	$ 913
Companies Office	2,775	2,205
Crown Lands and Property Agency	(398)	(10)
Fleet Vehicles Agency	16,029	14,459
Food Development Centre	378	(11)
Green Manitoba Eco Solutions	(155)	-
Industrial Technology Centre	428	564
MERLIN	(1)	(315)
Manitoba Securities Commission	4,547	3,357
Manitoba Text Book Bureau	197	179
Materials Distribution Agency	2,988	3,562
Office of the Fire Commissioner	854	216
Organization and Staff Development	730	461
Pineland Forest Nursery	(103)	61
The Property Registry	11,866	10,957
The Public Trustee	1,626	1,696
Vital Statistics Agency	1,434	1,068
Financing Authority	9	7
	$43,933	$39,369

14. Reserve funds

a) The Public Trustee

The Public Trustee has allocated a reserve out of retained earnings to provide for short-term fluctuations in revenue due to changes in revenue patterns or extraordinary expenses. The balance of the reserve at March 31, 2007 is $500 (2006 - $500).

b) Manitoba Securities Commission

The Manitoba Securities Commission has allocated a reserve out of retained earnings to provide for extraordinary regulatory expenses and changes in market activity affecting revenue. The balance of the reserve at March 31, 2007 is $750 (2006 - $750).

c) Office of the Fire Commissioner

The Office of the Fire Commissioner received approval from Treasury Board in Fiscal 2004/05 to establish a special reserve fund for water bomber fire suppression activities. This fund is capped at an amount of $200 and will be utilized to cover the costs associated with water bomber deployment for non-forest fire incidents occurring on Rural Municipality property. As at March 31, 2007, the agency has allocated a total of $200 (2006 - $200) to this fund from its retained earnings account.

The agency has also established a special reserve fund for replacing and training a rescue dog. As at March 31, 2007, the balance of this reserve fund is $25 (2006 - $nil).

15. Commitments

Commitments for SOAs with building lease agreements at March 31, 2007 total $13,858 (2006 - $14,725). Estimated minimum lease payments for each of the next five years are as follows:

2008	$2,662
2009	2,245
2010	2,236
2011	2,223
2012	2,232

Other commitments entered into by SOAs are as follows:

Green Manitoba Eco Solutions	Office equipment leases	$ 6
Materials Distribution Agency	Printing equipment lease agreements	120
Office of the Fire Commissioner	Office equipment and vehicle leases	519
The Property Registry	Equipment lease agreements	645
		$ 1,290

16. Estates and trusts under administration

The Public Trustee has statutory responsibility for administering clients' estates and trusts. The client assets under administration at March 31, 2007 total approximately $185,000 (2006 - $177,000). The trust activities of The Public Trustee are reported in separate audited financial statements for Estates and Trusts under Administration.

17. Public sector compensation

No employee of the Financing Authority received compensation of $50.0 or more during the year ended March 31, 2007.

Compensation information for each SOA is disclosed in the notes to their audited financial statements.

18. Contingency

The Manitoba Securities Commission has been named as defendant in four statements of claim. At the time of preparation of these financial statements, the outcome of these claims were undeterminable. The cost of a future settlement, if any, will be reflected as an expense in the year paid.

19. Comparative figures

Comparative figures for the year ended March 31, 2006 have been restated, where appropriate, to conform to the presentation adopted for March 31, 2007.

KPMG

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AUDITORS' REPORT

To the Board of Directors of Sport Manitoba Inc.

We have audited the statement of financial position of Sport Manitoba Inc. as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Winnipeg, Canada

May 18, 2007

SPORT MANITOBA INC.

Statement of Financial Position

March 31, 2007, with comparative figures for 2006

	2007	2006
Assets		
Current assets:		
Cash	$ 821,562	$ 1,138,591
Marketable securities, market value $101,440 (2006 - $100,930) [note 2(e)]	100,000	100,000
Accounts receivable	502,514	343,076
Inventories	27,485	30,980
Prepaid expenses and deposits	110,341	74,839
	1,561,902	1,687,486
Capital assets (note 3):		
Furniture, equipment and leasehold improvements	1,021,553	1,254,573
Accumulated amortization	842,154	1,091,209
	179,399	163,364
	$ 1,741,301	$ 1,850,850
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,015,912	$ 1,132,270
Deferred contributions for expenses of future periods (note 5)	157,101	243,325
	1,173,013	1,375,595
Net assets:		
Unrestricted [note 6(a)]	190,932	112,434
Internally restricted:		
Initiatives program [note 2(d)]	97,957	99,457
Princess Royal Pan Am Scholarship endowment [note 2(e)]	100,000	100,000
Invested in capital assets	179,399	163,364
	568,288	475,255
Facility Development Fund trust assets (note 4)		
Commitments (note 6)		
	$ 1,741,301	$ 1,850,850

See accompanying notes to financial statements.

On behalf of the Board:

Paul Director

Linda Hurd Director

SPORT MANITOBA INC.

Statement of Operations

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Revenue:		
Province of Manitoba:		
Program support	$ 10,815,000	$ 10,564,950
Bingo allocation	138,907	193,052
Other income	297,225	204,372
Bilateral funding (note 5):		
Province of Manitoba	209,831	353,633
Federal Government	209,831	353,633
	11,670,794	11,669,640
Expenses:		
Grants:		
Sport groups for sport development	7,109,730	7,339,399
Manitoba Sports Hall of Fame and Museum Incorporated (note 7)	65,000	65,000
Bilateral sport development programs	503,761	766,364
Administration and services provided to sport groups:		
Occupancy	1,689,802	1,528,670
Operating	603,153	510,900
Administration	1,257,863	1,125,051
Member services	1,222,475	1,263,011
Costs recovered from sport groups	(960,463)	(980,795)
Amortization	86,440	71,999
	11,577,761	11,689,599
Excess (deficiency) of revenue over expenses	$ 93,033	$ (19,959)

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Changes in Net Assets

Year ended March 31, 2007, with comparative figures for 2006

					2007	2006
	Unrestricted	Internally restricted Initiatives program	Princess Royal Pan Am Scholarship endowment	Invested in capital assets	Total	Total
Net assets, beginning of year	$ 112,434	$ 99,457	$ 100,000	$ 163,364	$ 475,255	$ 495,214
Excess (deficiency) of revenue over expenses	180,973	(1,500)	–	(86,440)	93,033	(19,959)
Capital assets acquired	(102,475)	–	–	102,475	–	–
	$ 190,932	$ 97,957	$ 100,000	$ 179,399	$ 568,288	$ 475,255

See accompanying notes to financial statements.

SPORT MANITOBA INC.

Statement of Cash Flows

Year ended March 31, 2007, with comparative figures for 2006

	2007	2006
Cash provided by (used in):		
Operating activities:		
Excess (deficiency) of revenue over expenses	$ 93,033	$ (19,959)
Items not involving cash:		
Amortization	86,440	71,999
Change in non-cash operating working capital	(394,027)	889,889
	(214,554)	941,929
Financing and investing activities:		
Additions to capital assets	(102,475)	(79,349)
Increase (decrease) in cash	(317,029)	862,580
Cash, beginning of year	1,138,591	276,011
Cash, end of year	$ 821,562	$ 1,138,591

See accompanying notes to financial statements.

1. General:

Sport Manitoba Inc. (the organization) is a not-for-profit umbrella organization whose purpose is to lead and support participation and achievement in sport by all Manitobans. The organization is exempt from income taxes and is funded through an agreement with the Province of Manitoba which expired March 31, 2005. The organization and the Province are currently finalizing the provisions of an agreement which would expire March 31, 2010.

2. Significant accounting policies:

(a) Revenue recognition:

The organization follows the deferral method of accounting for contributions, which include government grants.

Unrestricted contributions and operating grants are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated.

Externally restricted contributions and grants are recognized as revenue in the year in which the related expenses are recognized.

Endowment contributions are recognized as an increase in net assets when received.

(b) Inventories:

Inventories are valued at the lower of cost and estimated realizable value with cost being determined on the first-in, first-out basis.

(c) Capital assets:

Capital assets are stated at cost. Amortization is recorded on a straight-line basis using the following terms:

Asset	Term
Computers	3 years
Furniture and equipment	5 years
Print shop equipment	15 years

Leasehold improvements are recorded at cost and are amortized on a straight-line basis over the remaining term of the lease.

2. Significant accounting policies (continued):

Any gain or loss on disposal of these assets is charged to operations in the year of disposal.

(d) Internally restricted funds:

The initiatives program represents net assets restricted by the Board of Directors. These net assets are to be used to meet exceptional or one time initiatives and to support Sport Manitoba's pro-active participation in collaborative projects with partners in sport. All expenditures greater than $5,000 must be approved by the Board.

(e) Princess Royal Pan Am Scholarship endowment:

The organization received $100,000 to establish the Princess Royal Pan Am Scholarship endowment. The principal cannot be used to fund programs. The investment income earned is used to provide annual scholarships to one male and one female athlete, up to $3,000 each, who are competing in sport at a national or international level and who are enrolled in a post-secondary education program at a Manitoba post-secondary institution.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Capital assets:

			2007	2006
	Cost	Accumulated amortization	Net book value	Net book value
Computers	$ 142,915	$ 105,504	$ 37,411	$ 34,678
Furniture and equipment	328,997	318,267	10,730	9,373
Print shop equipment	403,604	277,804	125,800	108,159
Leasehold improvements	146,037	140,579	5,458	11,154
	$ 1,021,553	$ 842,154	$ 179,399	$ 163,364

4. Facility Development Fund trust assets:

In accordance with the previous funding agreement with the Province of Manitoba, the organization is holding at March 31, 2007 $11,313 (2006 - $69,099) of investments in trust for the Facility Development Fund. The Facility Development Fund is administered by advisory representatives from Sport Manitoba Inc. and the Provincial Government. These assets together with the related obligation, interest income and administrative expenses have not been recorded in these financial statements for financial reporting purposes.

Facility Development Fund trust assets are comprised of the following:

Initial contribution	$ 4,137,303
Interest earned to date	1,891,824
Administrative expenses paid to date	(292,236)
Projects funded	(5,725,578)
	$ 11,313

The previous Advisory Board approved 102 rural sport facility capital projects under Phase I, II, III and IV of the rural sport facility program which have been fully funded in the amount of $5,725,578.

5. Deferred contributions:

Deferred contributions related to expenses of future periods represent restricted funding received for future expenses.

	2007	2006
Balance, beginning of year	$ 243,325	$ 377,766
Contributions received	485,459	570,000
Contributions repaid	(148,350)	–
Amounts amortized to revenue	(423,333)	(704,441)
Balance, end of year	$ 157,101	$ 243,325

5. Deferred contributions (continued):

Deferred contributions for expenses of future periods are comprised of the following:

	2007	2006
Western Canada Summer Games, future bids, and costs for storage of equipment	$ 157,101	$ 96,354
Bilateral	–	146,971
	$ 157,101	$ 243,325

The bilateral represents funding to promote an increase in the participation of sport by designated geographic and demographic locations within Manitoba's remote, isolated and inner urban communities. Under the terms of the bilateral funding agreement with the Government of Canada, all funding received must be spent by March 31, 2006. During the year, the organization returned $148,350 of unspent funds which were recorded as deferred contributions in previous years.

6. Commitments:

(a) The organization rents its premises under a long-term operating lease which expires in 2008. The minimum base rental payments in the next fiscal year are $536,876.

On May 15, 2006 the organization received notice from their landlord that its premises lease would not be renewed upon expiry in December 2008. As a result, the organization has commenced a feasibility study to investigate options available for relocation of their Administration Centre. The organization plans to fund the costs of the feasibility study and relocation expenses from unrestricted net assets.

(b) The organization has made a commitment to fund a best ever project for the National Men and Women Volleyball Centre in the amount of $75,000 for the year ending March 31, 2008, subject to the present levels of funding from the Province of Manitoba being maintained.

(c) The organization has an agreement with Canadian Sport Centre Manitoba Inc. to provide funding for the implementation of programs and services in support of the pursuit of excellence by high performance athletes and coaches in Manitoba. The terms of this agreement have committed the organization to provide funding of $190,000 for the year ending March 31, 2008, subject to the present levels of funding from the Province of Manitoba being maintained.

6. Commitments (continued):

(d) The organization has an agreement with Coaching Manitoba Inc. to provide funding in support of the delivery of programs and services designed to provide appropriate levels of support to coaches throughout Manitoba. The terms of this agreement have committed the organization to provide funding of $278,879 for the year ending March 31, 2008, subject to the present levels of funding from the Province of Manitoba being maintained.

(e) The organization has an agreement with the Manitoba Games Council to provide funding in support of The Manitoba Games summer and winter programs. The terms of the agreement have committed the organization to provide funding of $345,000 to the games annually, subject to present levels of funding from the Province of Manitoba being maintained and the annual approval by the Board of Directors. The term of the agreement will expire March 31, 2010.

7. Manitoba Sports Hall of Fame and Museum Incorporated:

The organization is the sole voting member of the Manitoba Sports Hall of Fame and Museum Incorporated (Hall of Fame), which is a registered charity organized to honour Manitoba athletes. The financial statements of the Hall of Fame have not been consolidated with those of the organization. During the year the organization provided the Hall of Fame with an operating grant of $65,000 (2006 - $65,000).

The following represents the financial position and the results of operations of the Hall of Fame as at March 31:

	2007	2006
Assets	$ 87,054	$ 59,483
Liabilities	$ 98,151	$ 65,041
Net assets	(11,097)	(5,558)
	$ 87,054	$ 59,483
Revenues	$ 186,153	$ 163,955
Expenses	191,692	173,918
Deficiency of revenues over expenses	$ (5,539)	$ (9,963)

8. Manitoba Foundation for Sports Inc.:

The organization is the sole voting member of the Manitoba Foundation for Sports Inc. (Foundation), which is a registered charity organized for the purpose of furthering the development of amateur athletics in the Province of Manitoba. The financial statements of the Foundation have not been consolidated with those of the organization.

The following represents the financial position and results of operations of the Foundation as at March 31:

	2007	2006
Assets	$ 1,319,966	$ 1,282,199
Liabilities	$ 83,292	$ 83,042
Deferred contributions	401,391	401,391
Unrestricted net assets	30,283	(7,234)
Pan Am Games Legacy endowment	805,000	805,000
	$ 1,319,966	$ 1,282,199
Revenues	$ 55,186	$ 54,113
Expenses	17,669	59,949
Excess (deficiency) of expenses over revenue	$ 37,517	$ (5,836)

The deferred contributions have been restricted by the donors and are not available for distribution for a minimum of ten years from the date of receipt.

During the year, the Foundation provided $15,000 (2006 - $25,000) of scholarship grants to Manitoba athletes and nil to community and regional development programs (2006 - $32,423).

9. The Sports Legacy Trust:

The organization is related to The Sports Legacy Trust (the Trust) by virtue of certain common Board members. During the year, the organization received $20,000 recorded in other income from the Trust for the Administrative Centre location review.

This transaction was in the normal course of operations and was measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

10. Pension plan:

The organization has a defined contribution pension plan. Pension expense for the year ended March 31, 2007 was $84,029 (2006 - $83.031).

11. Financial instruments:

Fair values:

The carrying values of cash, accounts receivable and accounts payable and accrued liabilities approximate their fair value due to their short term to maturity.

Credit risk:

The organization is subject to credit risk related to accounts receivable. This risk is alleviated based on the relationship the organization has with the organizations with which the accounts receivable exist.

K. B. Eisner & Co.

CERTIFIED GENERAL ACCOUNTANTS
*Kenneth B. Eisner, CGA **
*Mary G. Chalmers, CGA **
**Professional Corporations*

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AUDITORS' REPORT

To the Board of Directors of the
Tire Stewardship Board

We have audited the balance sheet of the Tire Stewardship Board as at March 31, 2007 and the statements of net operations (deficit), surplus (deficit), and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2007 and the results of its operations and the changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

CERTIFIED GENERAL ACCOUNTANTS

Winnipeg, Manitoba
June 21, 2007

TIRE STEWARDSHIP BOARD

BALANCE SHEET

	March 31 2007	March 31 2006
ASSETS		
CURRENT		
Petty cash	$ 100	$ 100
Cash	11,758	46,528
Accounts receivable	271,943	277,168
Grants receivable (note 3)	122,999	175,000
Prepaid expenses (note 4)	74,111	6,732
	480,911	505,528
EQUIPMENT		
Furniture and equipment (note 5)	1,962	2,536
	$ 482,873	$ 508,064
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 185,509	$ 265,401
Wages payable	1,207	1,234
Loan payable (note 6)	-	300,000
	186,716	566,635
EQUITY		
SURPLUS (DEFICIT)	296,157	(58,571)
	$ 482,873	$ 508,064

APPROVED ON BEHALF OF THE BOARD:

Ron Wally, Director

Jim Kilgour, Director

This is the Balance Sheet referred to in the Auditors' report dated June 19, 2007.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF NET OPERATIONS (DEFICIT)

	Year Ended March 31	
	2007	2006
REVENUE		
Tire levy	$ 2,358,076	$ 2,331,073
Interest	3,235	2,735
Grants (note 3)	544,995	175,000
Write-off of loan (note 6)	300,000	-
	3,206,306	2,508,808
DIRECT EXPENSE		
Collection services	30,000	30,000
Levy commissions	2,351	2,227
Payments to processors (note 7)	2,474,196	2,364,669
Payments to municipalities (note 7)	11,250	23,898
	2,517,797	2,420,794
GROSS MARGIN	688,509	88,014
ADMINISTRATIVE EXPENSES		
Amortization	573	929
Automotive	5,557	6,693
Audit, legal and tax consulting	12,130	28,134
Board	17,573	13,509
Communications/conferences	705	-
Contracted services (note 8)	186,030	100,996
Equipment leasing	944	1,307
Goods and services tax	12,192	5,623
Insurance	10,338	9,511
Interest	(6,267)	6,267
Office	13,962	9,172
Projects	5,961	-
Rent	11,146	11,160
Salaries and benefits	47,927	47,913
Telephone	3,403	4,305
Travel	11,607	12,046
	333,781	257,565
NET OPERATIONS (DEFICIT)	$ 354,728	$ (169,551)

This is the Statement of Net Operations (Deficit) referred
to in the Auditors' Report dated June 19, 2007.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF SURPLUS (DEFICIT)

	Year Ended March 31 2007	2006
SURPLUS – Beginning of year	$ (58,571)	$ 110,980
NET OPERATIONS (DEFICIT)	354,728	(169,551)
SURPLUS (DEFICIT) – End of year	$ 296,157	$ (58,571)

This is the Statement of Surplus referred to in the Auditors' report dated June 19, 2007.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year Ended March 31 2007	2006
CASH PROVIDED (USED) BY:		
OPERATING ACTIVITIES		
Operations		
Net operations (deficit)	$ 354,728	$ (169,551)
Item not involving cash		
Amortization	573	929
	355,301	(168,622)
Changes in non-cash working capital balances	(390,071)	192,381
INCREASE (DECREASE) IN CASH AND EQUIVALENTS	(34,770)	23,759
CASH AND EQUIVALENTS – Beginning of year	46,628	22,869
CASH AND EQUIVALENTS – End of year	$ 11,858	$ 46,628

This is the Statement of Changes in Financial Position referred
to in the Auditors' report dated June 19, 2007.
The accompanying notes are an integral part of these financial statements.

TIRE STEWARDSHIP BOARD

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2007

NOTE 1 – AUTHORITY AND PURPOSE

The Tire Stewardship Board operates under the authority of the Waste Reduction and Prevention Act Chapter W40, Statutes of Manitoba, 1990, pursuant to the Tire Stewardship Regulation, Manitoba Regulation 33/95.

The Board is a not-for-profit association and, accordingly, no provision for corporate taxes is provided for pursuant to Section 149(1)(l) of The Income Tax Act, Canada.

The purpose of the Tire Stewardship Board is to recycle scrap tires, diverting them from the waste stream into reusable products or material for resale.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Revenue from advance disposal surcharges on new tires supplied in Manitoba is recognized by the Tire Stewardship Board at the time the tires are supplied to the end consumer. Revenue from government grants is recognized by The Board **when approved by the Province of Manitoba**. The Board bases its accounting policies on generally accepted accounting principles in Canada, specifically those comprising the accounting recommendations for not-for-profit organizations included in the Accounting Recommendations of the Canadian Institute of Chartered Accountants Handbook.

Equipment is recorded at cost less accumulated amortization. Amortization is recorded on the declining balance basis over the estimated useful lives of the assets at the following annual rates.

Furniture and fixtures	20%
Computer equipment and software	30%

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Board's financial instruments consist of cash, receivables, accounts and wages payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Board is not exposed to significant interest, currency or credit risks arising from these financial instruments.

NOTE 3 - GRANTS RECEIVABLE

During the prior year, The Province of Manitoba, through the Sustainable Development Innovations Fund (SDIF), gave approval of additional financial support by way of an operating grant of up to $300,000 to the Tire Stewardship Board in order to maintain "status quo" payments to recyclers and ensure a balanced financial position for the program.

The Province released $100,000 of this amount for use in the 2005-2006 year. This amount was reflected in revenue in 2005-2006 year and the remaining $200,000 in the current year.

Approval was also given for additional financial support, by way of an operating grant of up to $200,000 to the Tire Stewardship Board to provide for a limited off-the-road (OTR) tires recycling program during the transition period. The Province has released $75,000 of this amount for use in the 2005-2006 year and this amount was reflected in revenue. The balance of $125,000 was reflected as revenue in the 2006-2007 year.

The following conditions apply to the above noted financial assistance:

- The funds are used solely to support costs associated with the ongoing operation of the Tire Stewardship Program.
- The funds targeted for OTR recycling have been used solely for this purpose.
- Funds will be provided to the Tire Stewardship Board on the basis of its cash flow requirements.
- The Tire Stewardship Board is accountable to the Department of Conservation relative to these funds and has maintained adequate records and has provided reports as required on the use of these funds.

During the year, The Province of Manitoba agreed to advance to the Tire Stewardship Board, the sum of $544,995 in operating grants and OTR Clean Up grants for the year ended March 31, 2007. Of this amount, $122,999 was receivable at March 31, 2007 and received subsequent to year-end.

NOTE 4 – PREPAID EXPENSES

This amount includes an advance to a recycler in the amount of $88,945 for stockpiled truck tires. $22,236 was repaid prior to year-end and the balance shortly thereafter.

NOTE 5 – EQUIPMENT

	Cost	Accumulated Amortization	2007 Net Book Value	2006 Net Book Value
Computer equipment	$ 17,309	$ 15,962	$ 1,347	$ 1,656
Furniture and fixtures	7,915	7,300	615	880
	$ 25,224	$ 23,262	$ 1,962	$ 2,536

NOTE 6 – LOAN PAYABLE

The Province of Manitoba (Department of Conservation) advanced to the Tire Stewardship Board during the 2005-2006 year a loan in the amount of $300,000 **with interest at 3.45%** which was to be repayable in full on December 31, 2006. Confirmation was received from the Minister of Conservation that the Treasury Board has authorized Manitoba Conservation to write off the accountable advance of $300,000 made to Tire Stewardship Board on May 25, 2005. Also written off is the accrued interest payable set up on Tire Stewardship Board books at March 31, 2006 in the amount of $6,267.

NOTE 7 – PAYMENTS TO PROCESSORS

During the year ended March 31, 2007, $544,995 in grants was approved for the Tire Stewardship Board to provide payments to processors. In addition, $300,000 resulting from a loan authorized to be written off as outlined in Note 6 – Loan Payable was used for this purpose.

NOTE 8 – CONTRACTED SERVICES

This amount includes severance for the General Manager in the amount of $85,992 as per the contract between his company and the Tire Stewardship Board relative to his years of service.

NOTE 9 – LEASE COMMITMENTS

The Tire Stewardship Board has entered into a lease agreement which expires as scheduled. Minimum annual lease payments are as follows:

Year-end March 31	2008	$ 1,005

Continuing lease arrangements will be month to month.

NOTE 10 – FUTURE DIRECTION OF THE TIRE STEWARDSHIP BOARD

The Province of Manitoba has approved in principle a long-term strategy whereby an industry-led Tire Stewardship Board would establish levies and set credit payments to recyclers under an extended producer responsibility, industry-led model. This proposed program would have no direct financial implications for The Province and would take effect subsequent to the finalization of the interim Tire Stewardship Board completing their responsibilities. The entity would be incorporated and operate under the name Tire Stewardship Board Manitoba. Implementation date is yet to be finalized.

BDO

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Auditors' Report

To the Members of
TRAVEL MANITOBA

We have audited the statement of financial position of **TRAVEL MANITOBA** as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
May 4, 2007

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BDO Dunwoody s.r.l. *est une société à responsabilité limitée constituée en Ontario*

Statement of Financial Position

As at March 31	**2007**	2006
ASSETS		
Current Assets		
Cash (Note 2)	**$ 1,075,215**	$ 7,253
Short-term deposits (Note 2)	**205,381**	195,902
Due from the Province of Manitoba - Operating grant	**-**	624,700
Trade accounts receivable	**326,768**	322,479
Prepaid expenses	**44,864**	19,478
	1,652,228	1,169,812
Due from the Province of Manitoba (Note 3)	**299,967**	368,937
Capital Assets (Note 4)	**56,034**	33,569
	$ 2,008,229	$ 1,572,318
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 1,165,631**	$ 912,606
Deferred revenue	**107,080**	164,765
	1,272,711	1,077,371
Severance Pay Benefits (Note 3)	**310,819**	287,563
	1,583,530	1,364,934
Commitments (Note 6)		
Net Assets (Page 31)		
Unrestricted	**293,665**	98,815
Restricted for purchase of capital assets	**75,000**	75,000
Invested in capital assets	**56,034**	33,569
	424,699	207,384
	$ 2,008,229	$ 1,572,318

Approved on behalf of the Board.

Director

Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Operations

For the year ended March 31	2007	2006
Revenue		
Province of Manitoba	**$ 7,476,600**	$7,412,200
Partnership and leveraged marketing	**650,181**	499,652
Other	**46,792**	17,688
	8,173,573	7,929,540
Expenditures		
Marketing and product development	**6,028,643**	5,788,511
Visitor services	**1,210,896**	1,194,332
Corporate services	**709,529**	727,525
Amortization	**7,190**	11,788
	7,956,258	7,722,156
Excess of revenue over expenditures for the year (Page 31)	**$ 217,315**	$ 207,384

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Changes in Net Assets

For the year ended March 31	2007				2006
	Unrestricted	Restricted for Purchase of Capital Assets	Invested in Capital Assets	Total	Total
Net assets, beginning of year	$ 98,815	$ 75,000	$ 33,569	$ 207,384	$ -
Excess (deficiency) of revenue over expenditures for the year (Page 30)	224,505	-	(7,190)	217,315	207,384
Acquisition of capital assets	(29,655)	-	29,655	-	-
Net assets, end of year (Page 29)	$ 293,665	$ 75,000	$ 56,034	$ 424,699	$ 207,384

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended March 31	**2007**	2006
Cash Flows from Operating Activities		
Excess of revenue over expenditures for the year	**$ 217,315**	$ 207,384
Adjustment for non cash items		
Amortization	**7,190**	11,788
	224,505	219,172
Changes in non cash working capital		
Due from the Province of Manitoba - Operating grant	**624,700**	(624,700)
Trade accounts receivable	**(4,289)**	(322,479)
Prepaid expenses	**(25,386)**	(19,478)
Accounts payable and accrued liabilities	**253,025**	912,606
Deferred revenue	**(57,685)**	164,765
	790,365	110,714
Due from Province of Manitoba	**68,970**	(368,937)
Severance pay liability	**23,256**	287,563
	1,107,096	248,512
Cash Flows from Investing Activities		
Acquisition of capital assets	**(29,655)**	(45,357)
Net change in short-term deposits	**(9,479)**	(195,902)
	(39,134)	(241,259)
Net increase in cash and cash equivalents	**1,067,962**	7,253
Cash and cash equivalents, beginning of year	**7,253**	-
Cash and cash equivalents, end of year	**$ 1,075,215**	$ 7,253

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

As at March 31, 2007

Basis of Reporting

The financial statements of the organization have been prepared in accordance with Canadian generally accepted accounting principles.

Capital Assets

Capital assets are recorded at cost and amortized on a declining balance basis at the following rates:

Computer hardware	30% straight line
Computer software	30% straight line
Furniture and equipment	5% straight line
Leasehold improvements	5% straight line

Revenue Recognition

The organization follows the deferral method of accounting for contributions. Grant revenue is recognized in the period earned. Partnership and marketing revenue are recognized when services are rendered if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Instruments

The organization's financial instruments consist of cash, short-term investments, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency, or credit risks arising from these financial instruments. It is management's opinion that the fair value of these financial instruments approximates their carrying value.

Restricted Fund for Acquisition of Capital Assets

A fund has been established by the Board of Directors in order to finance the future acquisition of capital items which are not funded by the Province of Manitoba through the provision of operating grants. Charges to the fund will occur at the discretion of the President and Chief Executive Officer. Any future redesignation of the fund balance would be subject to approval by the Board of Directors.

Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Notes to Financial Statements

As of March 31, 2007

1. Nature of Organization

Travel Manitoba was created as a Crown Corporation on April 1, 2005 under The Travel Manitoba Act as the culmination of extensive consultation and leadership from both the tourism industry and the provincial government. Travel Manitoba's mission is to be the leader in stimulating innovative, sustainable tourism growth in Manitoba. Travel Manitoba collaborates closely and in partnership with the tourism industry and governments to attract visitors to Manitoba, sustaining and creating jobs and businesses in the tourism sector in the province.

Travel Manitoba receives core funding from the Province of Manitoba to facilitate operations and to mobilize public and private resources to further foster the growth and professionalism of the tourism industry in Manitoba. Travel Manitoba is economically dependent on the Province of Manitoba, because it derives a significant portion of its revenue from the Province of Manitoba.

2. Cash and Short-term Deposits

The organization invests all surplus cash into short-term deposits with the Province's Treasury Division. These deposits are made up of 30, 60 and 90 day callable term deposits.

3. Severance Pay Benefits

Upon inception on April 1, 2005, the organization recorded accumulated severance pay benefits receivable and payable of $368,937 transferred from the Province of Manitoba for its employees. This receivable, or portion thereof, for the organization, will be collected by the organization as severance benefits are paid to employees on record as at April 1, 2005. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are recorded in the period of the change.

An actuarial report was completed for the severance pay liability as of March 31, 2007. The report provides a formula to update the liability on an annual basis. The organization's actuarially determined net liability for accounting purposes as at March 31, 2007 was $310,819.

During the year, the organization received $68,970 from the Province of Manitoba related to payments made to employees during the 2005/2006 fiscal year.

Notes to Financial Statements

As of March 31, 2007

4. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Computer hardware	**$ 3,240**	**$ 2,065**	$ 3,240	$ 972
Computer software	**24,403**	**11,394**	34,840	10,452
Furniture and equipment	**7,277**	**710**	7,277	364
Leasehold improvements	**36,343**	**1,060**	-	-
	$ 71,263	**$ 15,229**	$ 45,357	$ 11,788
Cost less accumulated amortization		**$ 56,034**		$ 33,569

5. Employee Pension Benefits

Employees of Travel Manitoba are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act ("CSSA"), administered by the Civil Service Superannuation Board. The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including Travel Manitoba, through the Civil Service Superannuation Fund.

The organization is required to pay the Province of Manitoba an amount equal to its employees' current pension contributions. The amount paid for 2007 was $91,159 (2006 $97,386). Under this agreement, the organization has no further pension liability.

6. Lease Commitment

The organization has entered into a lease agreement expiring March 2010 for rental of facilities at various locations with total annual payments of $579,300.

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Governing Council of the University College of the North

We have audited the statement of financial position of the University College of the North as at June 30, 2006 and the statements of operations, changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the University College as at June 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 8, 2006

STATEMENT 1

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION

	Unrestricted Fund	Trust Fund	Endowment Fund	Total JUNE 30 2006	Total JUNE 30 2005
ASSETS					
CURRENT					
Cash and short-term investments	$ 4,947,951	$ 132,049	$ 55,429	$ 5,135,429	$ 3,059,229
Accounts receivable (Note 3)	1,909,212			1,909,212	2,168,348
Due from other funds	317,496			317,496	296,615
Inventory	258,642			258,642	214,708
Prepaid expenses	210,633			210,633	103,131
	7,643,934	132,049	55,429	7,831,412	5,842,031
CAPITAL ASSETS (Note 4)	1,673,449			1,673,449	1,642,406
DUE FROM PROVINCE OF MANITOBA (Note 5)	1,546,089			1,546,089	1,546,089
TOTAL ASSETS	$ 10,863,472	$ 132,049	$ 55,429	$ 11,050,950	$ 9,030,526
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 1,549,841	$	$	$ 1,549,841	$ 1,019,182
Due to other funds	317,496			317,496	296,615
Deferred revenue	104,752			104,752	121,914
Deferred contributions (Note 7)	1,592,488			1,592,488	1,343,292
Accrued vacation benefits	1,539,840			1,539,840	1,490,059
	5,104,417			5,104,417	4,271,062
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	904,069			904,069	838,020
ACCRUED SEVERANCE BENEFITS (Note 9)	1,269,890			1,269,890	1,281,432
	7,278,376			7,278,376	6,390,514
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	780,495			780,495	804,386
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES		132,049	55,429	187,478	151,228
NET ASSETS INTERNALLY RESTRICTED (Note 12)	977,617			977,617	202,416
UNRESTRICTED NET ASSETS	1,608,283			1,608,283	1,263,281
	3,585,096	132,049	55,429	3,772,574	2,640,012
TOTAL LIABILITIES & FUND BALANCES	$ 10,863,472	$ 132,049	$ 55,429	$ 11,050,950	$ 9,030,526

APPROVED BY THE GOVERNING COUNCIL

STATEMENT 2

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS

YEAR ENDED JUNE 30

	Unrestricted Fund	Trust Fund	Endowment Fund	Total 2006	Total 2005
REVENUES					
Grants					
Council on Post-Secondary Education	$ 17,740,455	$	$	$ 17,740,455	$ 16,427,438
COPSE MARS	59,427			59,427	1,353,836
Other Province of Manitoba	713,175			713,175	680,160
Government of Canada	313,949			313,949	350,039
Amortization of deferred contributions related to capital assets	159,087			159,087	131,477
Ancillary sales and services	1,603,091			1,603,091	1,767,226
Donations	750	120,000	1,000	121,750	117,910
Investment income	156,874	2,042	1,508	160,424	93,138
Market Driven Training	1,237,125			1,237,125	819,494
Tuition and student fees	2,364,715			2,364,715	2,527,385
Other revenue	775,954			775,954	580,850
	25,124,602	122,042	2,508	25,249,152	24,848,953
EXPENSES					
Advertising	247,950			247,950	231,590
Amortization of capital assets	182,978			182,978	165,558
Bad debts	38,250			38,250	281,572
Cost of Goods Sold	1,030,948			1,030,948	1,088,018
Employee benefits	1,534,509			1,534,509	1,385,856
Insurance	159,315			159,315	93,610
Library acquistions	69,392			69,392	68,113
Facility costs	765,141			765,141	690,573
Furniture and minor equipment	517,375			517,375	646,561
Loss on disposal of capital assets	7,504			7,504	
Maintenance and repairs	191,587			191,587	242,298
MARS expenses	59,427			59,427	1,404,894
Operational supplies and services	2,191,414			2,191,414	2,099,688
Property taxes	487,890			487,890	483,150
Rentals and leases	356,094			356,094	325,494
Salaries	14,854,530			14,854,530	14,243,936
Scholarships and bursaries		88,300		88,300	118,072
Telephone and communication	483,057			483,057	388,326
Travel and hospitality	727,233			727,233	758,920
Utilities	123,696			123,696	126,127
	24,028,290	88,300		24,116,590	24,842,356
EXCESS REVENUES (EXPENSES)	$ 1,096,312	$ 33,742	$ 2,508	$ 1,132,562	$ 6,597

STATEMENT 3

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES

YEAR ENDED JUNE 30

	Unrestricted	Internally Restricted	Trust Fund	Endowment Fund	Net Assets Invested In Capital Assets	Contributed Surplus	Total 2006	Total 2005
FUND SURPLUS, *beginning of year*	$ 1,263,281	$ 202,416	$ 97,507	$ 53,721	$ 804,386	$ 218,701	$ 2,640,012	$ 2,633,415
EXCESS REVENUES (EXPENSES)	1,096,312		33,742	2,508			1,132,562	6,597
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS								
Amortization of capital assets	182,978				(182,978)			
Amortization of deferred contributions related to capital assets	(159,087)				159,087			
Purchase of capital assets	225,136				(225,136)			
Deferred contributions related to capital assets	(225,136)				225,136			
INTER-FUND TRANSFERS (Note 12)	(775,201)	775,201	800	(800)				
FUND SURPLUS, *end of year*	$ 1,608,283	$ 977,617	$ 132,049	$ 55,429	$ 780,495	$ 218,701	$ 3,772,574	$ 2,640,012

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT 4

STATEMENT OF CASH FLOWS

	YEAR ENDED JUNE 30	
	2006	**2005**
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess Revenues (Expenses)		
University College of the North Fund	$ 539,566	$ (54,704)
Inter-Universities Services Fund	420,307	
Northern Forest Diversification Centre Fund	136,439	59,085
Trust Fund	33,742	1,025
Endowment Fund	2,508	1,191
	1,132,562	6,597
Add (deduct) items not involving cash		
Loss on disposal of capital assets	7,504	
Amortization of capital assets	182,978	165,558
Amortization of deferred contributions related to capital assets	(159,087)	(131,477)
	1,163,957	40,678
Add (deduct) changes in non-cash working capital components related to operating activities		
Accounts receivable	238,255	(532,121)
Inventory	(43,933)	51,541
Prepaid expenses	(107,501)	(41,904)
Accounts payable and accrued liabilities	551,540	270,108
Deferred revenue	(17,162)	(91,557)
Deferred contributions	249,196	281,905
Accrued vacation benefits	49,780	114,451
Accrued severance benefits	(11,542)	4,384
	2,072,590	97,485
CASH FLOWS FROM FINANCING ACTIVITIES		
Deferred contributions related to capital assets	225,136	288,217
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(225,136)	(288,217)
Proceeds on disposal of capital assets	3,610	
	(221,526)	(288,217)
NET INCREASE (DECREASE) IN CASH FLOWS DURING THE YEAR	2,076,200	97,485
CASH AND SHORT-TERM INVESTMENTS, *beginning of year*	3,059,229	2,961,744
CASH AND SHORT-TERM INVESTMENTS, *end of year*	$ 5,135,429	$ 3,059,229

1. NATURE OF OPERATIONS

The University College of the North operates under the authority of *The University College of the North Act* Chapter U55 of the *Continuing Consolidation of the Statutes of Manitoba*, which came into force July 1, 2004. This Act provides for the continuation of Keewatin Community College, as established under *The Colleges Act* as a board-governed institution on April 1, 1993.

The purpose of the University College of the North is to provide post-secondary education in northern Manitoba. It should be learner and community-centred, be characterized by a culture of openness, inclusiveness and tolerance, and be respectful of Aboriginal and northern values and beliefs.

The educational purposes of UCN are to serve the educational needs of Aboriginal and northern Manitobans and to enhance the economic and social well-being of northern Manitoba.

The university college has tax-exempt status as a registered charity under *The Income Tax Act.*

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University College of the North (UCN) have been prepared in accordance with Canadian generally accepted accounting principles. University College of the North follows the restricted fund method of accounting for contributions.

a) General

The transactions of UCN have been segregated into the following funds in accordance with specified activities or objectives:

UCN Fund - transactions related to educational and ancillary activities of UCN.

Inter-Universities Services Fund - transactions related to the educational programs of the Inter-Universities Services Program which is administered by UCN.

Northern Forest Diversification Centre Fund - transactions related to the educational and ancillary activities of the Northern Forest Diversification Centre.

Trust Fund - transactions related to donations for student scholarships and bursaries.

Endowment Fund - transactions related to endowments for student scholarships and bursaries.

Internally Restricted Fund - transactions related to appropriations made from (to) the Unrestricted Fund.

b) Revenue Recognition

Tuition and fees are recognized as revenue in the semester or term earned.

Revenue from Market Driven Training contracts is recognized during the year at a rate approximating the delivery of the contracted programs and services.

Investment income is recognized as revenue when earned.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributions:

Unrestricted contributions and grants are recognized as revenue when received or receivable.

Restricted contributions for which a corresponding restricted fund is not presented are recognized as revenue in the year in which the related expenditures are incurred.

Donations are reported as revenue when received. Donations restricted to disbursement as scholarships and bursaries are restricted to that purpose.

Endowment contributions (and/or investment income thereon) that are held in perpetuity according to restrictions placed by the donors are recognized as revenue in the Endowment Fund.

Contributions (or portions permitted thereof) which are designated for the purchase of capital assets are deferred and amortized to revenue at the same rate as the related capital assets are amortized to expenditures.

c) Short-term investments

Investments are recorded at the lower of cost or net realizable value.

d) Inventory

UCN Fund - inventory is recorded at the lower of cost or net realizable value.

Northern Forest Diversification Centre Fund - inventory is recorded at lower of average cost or net realizable value.

e) Capital Assets

Individual capital assets with a value greater than $5,000 are capitalized and recorded at cost in the year of acquisition. Individual capital assets with a value less than $5,000 are expensed in the year of acquisition. Amortization of capitalized assets is recorded on a straight line basis commencing the year after acquisition over the following periods:

Automotive equipment	5 years
Buildings	40 years
Building improvements	10 years
Computer equipment	5 years
Other equipment	10 years

Library holdings are valued using the "base stock" method and accordingly are recorded at the value transferred upon governance at April 1, 1993. No amortization is taken on library holdings, and subsequent library acquisitions are expensed in the year of acquisitic

Certain capital assets purchased for specific Market Driven Training contracts are expensed in the year of purchase.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Financial Instruments

The financial instruments at UCN consist of cash & short-term investments, accounts receivable, accounts payable, and accrued liabilities. Unless otherwise noted, it is management's opinion that UCN is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values.

g) Measurement Uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual resultscould differ from management's best estimates as additional information becomes available in the future.

3. ACCOUNTS RECEIVABLE

	2006	2005
UCN Fund		
Students	$ 417,612	$ 592,000
Market Driven Training	591,234	480,464
Due from COPSE	463,897	430,710
Other	558,398	829,440
	2,031,141	2,332,614
Less: Allowance for doubtful accounts	(380,307)	(305,049)
	$ 1,650,834	$ 2,027,565
Inter-Universities Services Fund		
Students	$ 28,564	$ 55,744
Other	91,524	2,021
	120,088	57,765
Less: Allowance for doubtful accounts	(4,072)	(27,889)
	$ 116,016	$ 29,876
Northern Forest Diversification Centre Fund		
Trade accounts receivable	$ 20,393	$ 22,876
Province of Manitoba	62,289	45,320
Government of Canada	62,289	45,320
Less: Allowance for doubtful accounts	(2,609)	(2,609)
	$ 142,362	$ 110,907

4. CAPITAL ASSETS

			Net Book Value	
	Cost	Accumulated Amortization	2006	2005
UCN Fund				
Automotive equipment	$ 416,474	$ 310,532	$ 105,942	$ 99,308
Computer equipment	529,761	371,187	158,574	178,618
Other equipment	1,110,143	667,464	442,679	416,197
Buildings/improvements	260,279	92,034	168,245	189,254
Library holdings	714,161		714,161	714,161
	$ 3,030,818	$ 1,441,217	$ 1,589,601	$ 1,597,538

4. CAPITAL ASSETS (continued)

	Cost	Accumulated Amortization	Net Book Value 2006	Net Book Value 2005
Inter-Universities Services Fund				
Automotive equipment	$ 82,430	$ 18,402	$ 64,028	$ 36,804
Computer equipment	35,362	33,045	2,317	3,476
Other equipment	28,448	10,945	17,503	4,588
	$ 146,240	$ 62,392	$ 83,848	$ 44,868

5. DUE FROM PROVINCE OF MANITOBA

The Province of Manitoba has recognized its liability to the University College for the opening balances of accrued employee severence benefits and vacation benefits as at April 1, 1998, when Keewatin Community College (precurser to UCN) assumed responsibility for these expenditures. Amounts due, or portion thereof, for UCN, will be collected in the event there is a cash shortfall. However, this is only likely to happen on the dissolution of UCN.

	2006	2005
Accrued severance benefits, April 1, 1998	$ 793,500	$ 793,500
Accrued vacation benefits, April 1, 1998	752,589	752,589
	$ 1,546,089	$ 1,546,089

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2006	2005
UCN Fund		
Accrued liabilities	$ 372,308	$ 349,814
Wages and benefits payable	534,172	348,566
Trade accounts payable	578,091	256,010
Due to Student Associations	5,108	10,673
	$ 1,489,679	$ 965,063
Inter-Universities Services Fund		
Trade accounts payable	$ 14,548	$
Other accrued liabilities	40,044	47,933
	$ 54,592	$ 47,933
Northern Forest Diversification Centre Fund		
Trade accounts payable	$ 5,570	$ 6,186

7. DEFERRED CONTRIBUTIONS

Deferred contributions reported in each fund relate to designated contributions received in the current year that are related to expenditures of a subsequent year. Changes in deferred contributions during the year are as follows:

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 1,129,588	$ 2,067,929	$ (1,605,029)	$ 1,592,488
Inter-Universities Services Fund	213,704		(213,704)	
	$ 1,343,292	$ 2,067,929	$ (1,818,733)	$ 1,592,488

8. DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS

	Beginning of Year	Increases	Decreases	End of Year
UCN Fund	$ 793,153	$ 174,877	$ (147,809)	$ 820,221
Inter-Universities Services Fund	44,867	50,259	(11,278)	83,848
	$ 838,020	$ 225,136	$ (159,087)	$ 904,069

9. ACCRUED SEVERANCE BENEFITS

UCN Fund	2006	2005
Balance, beginning of year	$ 1,242,960	$ 1,232,925
Experience gain (loss)		(42,977)
Benefits accrued	88,641	82,531
Interest on accrued benefits	80,793	87,741
Severance paid	(183,207)	(117,260)
Balance, end of year	$ 1,229,187	$ 1,242,960

Inter-Universities Services Fund		
Balance, beginning of year	$ 34,881	$ 28,326
Experience gain (loss)		1,054
Benefits accrued	2,267	3,395
Interest on accrued benefits	3,555	2,106
Severance paid		
Balance, end of year	$ 40,703	$ 34,881

Northern Forest Diversification Centre Fund		
Balance, beginning of year	$ 3,591	$ 4,536
Experience gain (loss)	(3,591)	189
Benefits accrued		1,773
Interest on accrued benefits		358
Severance paid		(3,265)
Balance, end of year	$	$ 3,591

An actuarial valuation of the severance obligations as at March 31, 2005 was conducted by Ellement & Ellement Ltd., Consulting Actuaries. The key actuarial assumptions were a rate of return of 7% (2000 - 6.75), 2.5% inflation (2000 - 2.75%), salary rate increases of 3.25% (2000 - 3.5%). The accrued benefit cost method with salary projection was used and the liabilities have bee extrapolated to June 30, 2006 using the projection formula provided by the actuary.

10. PENSION COSTS AND OBLIGATIONS

The University College's employees are contributing members of the provincially operated Civil Service Superannuation Plan or the Teacher's Retirement Annuity Fund defined benefit pension plans. The accumulated superannuation liabilities continue to be funded directly by the Province of Manitoba, rather than the University College itself for all employees hired prior to October 1, 2002.

The benefit to the University College of having its share of pension benefits paid directly by the Province of Manitoba has not been quantified by an actuarial valuation. The total contributions during the fiscal year by employees hired prior to October 1, 2002 were $573,915 (2005 - $596,204).

Total contributions during the fiscal year by employees hired after October 1, 2002 (and matched by the University College) were $188,943 (2005 - $134,226). These contributions represent the total pension obligations of the University College. The University College is not required under present legislation to make contributions with respect to any actuarial deficiencies of the plan.

11. CONTRACTUAL OBLIGATIONS

The University College has entered into various contracts to rent office equipment, lease facility space, and for services provided by third parties for security, food services, and snow removal. Contractual obligations over the next five years are as follows:

2006/07	385,730
2007/08	332,469
2008/09	260,399
2009/10	52,231
2010/11	32,231

12. INTERNALLY RESTRICTED NET ASSETS

Appropriations from the Unrestricted Fund are made to provide for future funding for campus development, innovations funds, fiscal stabilization, conference and the establishment of a science lab.

UCN Fund

	Opening Balance	Increases	Decreases	Ending Balance
Campus Development Fund	$ 179,538	$	$	$ 179,538
Innovations Fund	22,878			22,878
Fiscal Stabilization		354,894		354,894
Total	$ 202,416	$ 354,894	$	$ 557,310

Inter-Universities Services Fund

	Opening Balance	Increases	Decreases	Ending Balance
Innovations Fund	$	$ 270,307	$	$ 270,307
Conferences		50,000		50,000
Science Lab		100,000		100,000
Total	$	$ 420,307	$	$ 420,307

13. RELATED PARTY TRANSACTIONS

The University College is related in terms of common ownership to all Province of Manitoba created departments, agencies and Crown Corporations. The University College enters into transactions with these entities in the normal course of business. These transactions are recorded at the exchange amount.

14. SUBSEQUENT EVENT

The University College is continuing to seek alternative options for the Northern Forest Diversification Centre. As part of the process, the University College is considering the alternative where a third party would purchase the assets of the Northern Forest Diversification Centre and continue its operations under private ownership.

15. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.

STATEMENT 1A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF FINANCIAL POSITION - UNRESTRICTED

JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2006	Total 2005
ASSETS					
CURRENT					
Cash and short-term investments	$ 4,297,343	$ 637,299	$ 13,309	$ 4,947,951	$ 2,908,001
Accounts receivable (Note 3)	1,650,834	116,016	142,362	1,909,212	2,168,348
Due from other funds	317,496			317,496	296,615
Inventory	134,847		123,795	258,642	214,708
Prepaid expenses	210,633			210,633	103,131
	6,611,153	753,315	279,466	7,643,934	5,690,803
CAPITAL ASSETS (Note 4)	1,589,601	83,848		1,673,449	1,642,406
DUE FROM PROVINCE OF MANITOBA (Note 5)	1,541,079	5,010		1,546,089	1,546,089
TOTAL ASSETS	$ 9,741,833	$ 842,173	$ 279,466	$ 10,863,472	$ 8,879,298
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (Note 6)	$ 1,489,679	$ 54,592	$ 5,570	$ 1,549,841	$ 1,019,182
Due to other funds		181,741	135,755	317,496	296,615
Deferred revenue	104,752			104,752	121,914
Deferred contributions (Note 7)	1,592,488			1,592,488	1,343,292
Accrued vacation benefits	1,449,000	60,982	29,858	1,539,840	1,490,059
	4,635,919	297,315	171,183	5,104,417	4,271,062
DEFERRED CONTRIBUTIONS RELATED TO CAPITAL ASSETS (Note 8)	820,221	83,848		904,069	838,020
ACCRUED SEVERANCE BENEFITS (Note 9)	1,229,187	40,703		1,269,890	1,281,432
	6,685,327	421,866	171,183	7,278,376	6,390,514
FUND BALANCES					
FUND SURPLUS (DEFICIT)					
CONTRIBUTED SURPLUS	218,701			218,701	218,701
NET ASSETS INVESTED IN CAPITAL ASSETS	780,495			780,495	804,386
NET ASSETS RESTRICTED FOR TRUST & ENDOWMENT PURPOSES					
NET ASSETS INTERNALLY RESTRICTED (Note 12)	557,310	420,307		977,617	202,416
UNRESTRICTED NET ASSETS	1,500,000		108,283	1,608,283	1,263,281
	3,056,506	420,307	108,283	3,585,096	2,488,784
TOTAL LIABILITIES & FUND BALANCES	$ 9,741,833	$ 842,173	$ 279,466	$ 10,863,472	$ 8,879,298

STATEMENT 2A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF OPERATIONS - UNRESTRICTED

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2006	Total 2005
REVENUES					
Grants					
Council on Post-Secondary Education	$ 16,681,110	$ 1,059,345	$	$ 17,740,455	$ 16,312,434
COPSE MARS	59,427			59,427	1,468,840
Other Province of Manitoba	435,695		277,480	713,175	680,160
Government of Canada	51,943		262,006	313,949	350,039
Amortization of deferred contributions related to capital assets	147,809	11,278		159,087	131,477
Ancillary sales and services	1,470,502		132,589	1,603,091	1,767,226
Donations	750			750	117,910
Investment income	150,459	6,415		156,874	93,138
Market Driven Training	1,216,974		20,151	1,237,125	819,494
Tuition and student fees	2,076,021	288,694		2,364,715	2,527,385
Other revenue	643,443	132,753	(242)	775,954	580,850
	22,934,133	1,498,485	691,984	25,124,602	24,848,953
EXPENSES					
Advertising	236,537	7,960	3,453	247,950	231,590
Amortization of capital assets	171,700	11,278		182,978	165,558
Bad debts	38,234	(2,631)	2,647	38,250	281,572
Cost of Goods Sold	898,287		132,661	1,030,948	1,088,018
Employee benefits	1,432,508	70,577	31,424	1,534,509	1,385,856
Insurance	155,795	3,520		159,315	93,610
Library acquistions	69,392			69,392	68,113
Facility costs	765,141			765,141	690,573
Furniture and minor equipment	502,851	9,662	4,862	517,375	646,561
Loss on disposal of capital assets	7,504			7,504	
Maintenance and repairs	183,794	3,332	4,461	191,587	242,298
MARS expenses	59,427			59,427	1,404,894
Operational supplies and services	2,025,154	103,566	62,694	2,191,414	2,099,688
Property taxes	487,890			487,890	483,150
Rentals and leases	341,733	14,361		356,094	325,494
Salaries	13,823,817	748,298	282,415	14,854,530	14,243,936
Scholarships and bursaries					118,072
Telephone and communication	463,721	10,940	8,396	483,057	388,326
Travel and hospitality	614,831	97,315	15,087	727,233	758,920
Utilities	116,251		7,445	123,696	126,127
	22,394,567	1,078,178	555,545	24,028,290	24,842,356
EXCESS REVENUES (EXPENSES)	$ 539,566	$ 420,307	$ 136,439	$ 1,096,312	$ 6,597

STATEMENT 3A

UNIVERSITY COLLEGE OF THE NORTH

STATEMENT OF CHANGES IN FUND BALANCES - UNRESTRICTED

YEAR ENDED JUNE 30

	UCN Fund	IUS Fund	NFDC Fund	Total 2006	Total 2005
FUND SURPLUS (DEFICIT), *beginning of year*	$ 1,291,437	$	$ (28,156)	$ 1,263,281	$ 1,427,235
EXCESS REVENUES (EXPENSES)	539,566	420,307	136,439	1,096,312	4,381
CHANGE IN NET ASSETS INVESTED IN CAPITAL ASSETS					
Amortization of capital assets	171,700	11,278		182,978	165,558
Amortization of deferred contributions related to capital assets	(147,809)	(11,278)		(159,087)	(131,477)
Purchase of capital assets	174,877	50,259		225,136	288,217
Deferred contributions related to capital assets	(174,877)	(50,259)		(225,136)	(288,217)
INTER-FUND TRANSFERS (Note 12)	(354,894)	(420,307)		(775,201)	(202,416)
FUND SURPLUS (DEFICIT), *end of year*	$ 1,500,000	$	$ 108,283	$ 1,608,283	$ 1,263,281

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 1

SCHEDULE OF OTHER GRANT REVENUE (unaudited)

YEAR ENDED JUNE 30

	2,006	2,005
Province of Manitoba		
Adult Learning Centre	$ 297,000	$ 318,000
Computer Based Learning System	138,695	97,682
Employment Assistance Services	-	(13,360)
Distance Education Technology Upgrades	-	22,880
	$ 435,695	$ 425,202

SCHEDULE 2

SCHEDULE OF ANCILLARY SALES AND SERVICES (unaudited)

YEAR ENDED JUNE 30

	2,006	2,005
Bookstore	$ 1,072,686	$ 1,070,100
Cafeteria	167,307	206,859
Residence	230,509	328,625
	$ 1,470,502	$ 1,605,584

SCHEDULE 3

SCHEDULE OF TUITION AND STUDENT FEES (unaudited)

YEAR ENDED JUNE 30

Apprenticeship	2,006	2,005
Core-funded programs	$ 749,637	$ 659,874
Continuing Educ	1,205,614	1,281,925
Credit courses	86,779	110,446
Non-credit	33,991	29,862
	$ 2,076,021	$ 2,082,107

UNIVERSITY COLLEGE OF THE NORTH

SCHEDULE 4

SCHEDULE OF UCN EXPENDITURES BY FUNCTION (unaudited)

YEAR ENDED JUNE 30

	Salaries & Benefits	Other	TOTAL	
			2,006	2,005
Academic	$ 8,445,912	$ 904,431	**$ 9,350,343**	$ 8,780,102
Administration	1,893,817	1,560,183	**3,454,000**	3,364,248
Ancillary Sales & Service	486,643	1,001,024	**1,487,667**	1,513,247
Continuing Education	69,705	71,210	**140,915**	108,007
Library	257,339	93,353	**350,692**	339,047
Market Driven Training	1,089,189	370,843	**1,460,032**	1,565,122
Mould & Asbestos Remediation (MARS)		155,094	**155,094**	1,440,577
MIS	639,008	640,229	**1,279,237**	1,132,562
Plant	469,041	1,835,374	**2,304,415**	2,216,999
Program Support	1,810,960	601,212	**2,412,172**	2,444,247
	$15,161,614	$7,232,953	**$22,394,567**	$22,904,158

UNIVERSITY
OF MANITOBA

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The University is responsible for the preparation of the consolidated financial statements and has prepared them in accordance with generally accepted accounting principles as set out by the Canadian Institute of Chartered Accountants (CICA). The University believes the consolidated financial statements present fairly the University's consolidated financial position as at March 31, 2007 and the results of its operations for the year then ended.

The University's Board of Governors is responsible for overseeing the business affairs of the University and also has the responsibility to approve the consolidated financial statements. The Board has delegated certain responsibilities to its Audit Committee including the responsibility for reviewing the annual consolidated financial statements and meeting with management and the Auditor General of Manitoba on matters relating to the financial reporting. The Auditor General has full access to the Audit Committee with or without the presence of management. The Board has approved the consolidated financial statements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, the University has developed and maintains a system of internal controls designed to provide reasonable assurance that University assets are safeguarded from loss and that accounting records are a reliable basis for the preparation of consolidated financial statements. The integrity of internal controls is reviewed on an ongoing basis by Audit Services and the Auditor General.

The consolidated financial statements for the year ended March 31, 2007 have been reported on by the Auditor General of Manitoba, the auditor appointed under the University of Manitoba Act. The Auditor's Report outlines the scope of her examination and provides her opinion on the fairness of presentation of the consolidated financial statements.

Original signed by:

Deborah J. McCallum,
Vice-President (Administration).

May 25, 2007
Winnipeg, Manitoba

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Lieutenant Governor in Council
To the Legislative Assembly of Manitoba
To the Board of Governors of the University of Manitoba

We have audited the consolidated statement of financial position of the University of Manitoba as at March 31, 2007 and the consolidated statements of operations and changes in fund balances and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Original signed by:

Carol Bellringer, FCA, MBA
Auditor General

Winnipeg, Manitoba
May 25, 2007

500 - 330 Portage Avenue Winnipeg, Manitoba R3C 0C4 office (204) 945-3790 fax (204) 945-2169
www.oag.mb.ca

CONSOLIDATED FINANCIAL STATEMENTS

University of Manitoba
Consolidated Statement of Financial Position
as at March 31
(in thousands of dollars)

Assets	*2007*	*2006*
Current Assets		
Cash	$ 25,583	$ 14,603
Marketable Investments	172,250	124,488
Accounts Receivable (Note 3)	61,154	54,738
Inventories	3,291	3,243
Prepaid Expenses	1,398	734
	263,676	197,806
Long Term Assets		
Investments (Note 4)	312,089	295,480
Capital Assets Net of Accumulated Amortization (Note 6)	600,895	558,021
	912,984	853,501
	$ 1,176,660	$ 1,051,307
Liabilities		
Current Liabilities		
Accounts Payable	$ 39,438	$ 38,908
Unearned Revenue	4,082	3,621
Staff Vacation Entitlements	8,863	8,187
Bank Loans	3,424	11,964
Current Portion of Capital Lease Obligations (Note 7)	263	302
Current Portion of Long Term Debt (Note 8)	4,842	3,152
	60,912	66,134
Long Term Liabilities		
Refundable Deposits	346	346
Capital Lease Obligations (Note 7)	393	408
Long Term Debt (Note 8)	169,411	101,169
Employee Future Benefits (Note 9)	54,602	55,111
	224,752	157,034
Fund Balances	890,996	828,139
	$ 1,176,660	$ 1,051,307

Commitments and Contingencies (Note 14)

Original signed by:

Terry Sargeant - Chair

Original signed by:

Shirley Van Schie - Vice-Chair

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances

for the years ended March 31
(in thousands of dollars)

	General Funds (Note 2e)	*Restricted Funds (Note 2f)*	*Endowment Fund (Note 2g)*	*2007 Total Funds*	*2006 Total Funds*
Revenue:					
Tuition and Related Fees	$ 101 342	$	$	$ 101 342	$ 96 462
Contributions, Donations, Non-Government Grants	575	68 099	10,406	79 080	84 115
Investment Income	5 394	13 795		19 189	20 575
Miscellaneous Income	3 374	1 972		5,346	4 055
Government Grants					
Council on Post-Secondary Education	229,104	8 652		237 756	231 448
Other Province of Manitoba	4,573	32 024		36 597	26 145
Government of Canada	8 930	62 399		71,329	69 334
Sales of Goods and Services	23 746			23 746	21 790
Ancillary Services	29 191			29 191	29 566
	406,229	186 941	10 406	603 576	583 490
Expense:					
Academic	223 013	111 485		334 498	318 066
Libraries	15 053	130		15 183	14 332
Student Affairs	17 558	654		18 212	17 623
Administration	25 052	2,160		27 212	25 903
Plant Maintenance	37 355	1		37 356	32 289
Other Academic Support	18 461	345		18 806	20 375
General	3 497	3 124		6,621	7 944
Property Taxes	345			345	868
Scholarships, Bursaries, Prizes and Awards	3 475	8,948		12 423	12 113
Interest on Bank Loans, Long Term Debt, Capital Advances and Capital Lease Obligations		9 839		9 839	5 925
Amortization of Capital Assets		37 919		37 919	33 437
Ancillary Services	25,157			25 157	25 814
Staff Benefits Contra	(2 852)			(2 852)	1 168
	366 114	174 605		540 719	515 877
Net Revenue	40 115	12 336	10,406	62 857	67 613
Inter-Fund Transfers (Note 11)	(32 922)	30 519	2 403		
Net (Decrease) Increase to Fund Balances	7,193	42 855	12 809	62 857	67 613
Fund Balances Beginning of the Year	(3 175)	703 986	127 328	828 139	760 526
Fund Balances End of the Year	$ 4 018	$ 746 841	$ 140 137	$890 996	$ 828 139
Unrestricted Funds	$ (45 369)	$	$	$ (45 369)	$ (48 926)
Internally Restricted Funds	49 387	47 891		97 278	91 099
Externally Restricted Funds		183 770	140,137	323 907	311 432
Invested in Capital Assets		515 180		515 180	474 534
	$ 4 018	$ 746 841	$ 140 137	$ 890 996	$ 828 139

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the General Funds
for the years ended March 31
(in thousands of dollars)

	General Operating Fund (Note 2e)	*Specific Provisions Fund (Note 2e)*	*Expenses Funded From Future Revenues (Note 2e)*	*2007 Total General Funds*	*2006 Total General Funds*
Revenue:					
Tuition and Related Fees	$ 101 342	$	$	$ 101,342	$ 96 462
Contributions, Donations, Non-Government Grants	575			575	1 338
Investment Income	5 394			5 394	3 808
Miscellaneous Income	3,374			3,374	1 603
Government Grants					
Council on Post-Secondary Education	229 104			229 104	215 393
Other Province of Manitoba	4 573			4 573	3 626
Government of Canada	8 930			8 930	7 184
Sales of Goods and Services	23 746			23 746	21 790
Ancillary Services	29 191			29 191	29 566
	406 229			406 229	380 770
Expense:					
Academic	223 013			223 013	213 796
Libraries	15 053			15 053	14 206
Student Affairs	17 558			17 558	16 908
Administration	25 052			25 052	23 378
Plant Maintenance	37 355			37 355	32 282
Other Academic Support	18 461			18 461	19 531
General	3,497			3,497	4 013
Property Taxes	345			345	866
Scholarships, Bursaries, Prizes and Awards	3 475			3 475	3 444
Ancillary Services	25 157			25 157	25 814
Staff Benefits Contra	(2 852)			(2 852)	1 188
	366 114			366 114	355 426
Net Revenue	40 115			40 115	25 344
Inter-Fund Transfers (Note 11)	(40 071)	3 636	3 513	(32 922)	(34 028)
Net Increase (Decrease) to Fund Balances	44	3 636	3 513	7,193	(8 684)
Fund Balances Beginning of the Year	2 149	45 751	(51 075)	(3 175)	5 509
Fund Balances End of the Year	$ 2 193	$ 49 387	$ (47 562)	$ 4 018	$ (3 175)
Unrestricted Funds	$ 2 193	$	$ (47 562)	$ (45 369)	$ (48 926)
Internally Restricted Funds		49 387		49 387	45 751
	$ 2 193	$ 49 387	$ (47 562)	$ 4 018	$ (3 175)

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Operations and Changes in Fund Balances for the Restricted Funds
for the years ended March 31
(in thousands of dollars)

	Capital Asset Fund (Note 2f)	*Research and Special Fund (Note 2f)*	*Staff Benefits Fund (Note 2f)*	*Trust Fund (Note 2f)*	*2007 Total Restricted Funds*	*2006 Total Restricted Funds*
Revenue:						
Contributions, Donations, Non-Government Grants	$ 8 154	$ 52,656	$ 1 329	$ 5 960	$ 68 099	$ 67 621
Investment Income	3 100		1 974	8 721	13,795	16 767
Miscellaneous Income			114	1,858	1 972	2 452
Government Grants						
Council on Post-Secondary Education	8 652				8 652	16 055
Other Province of Manitoba	9 331	22 693			32,024	22 519
Government of Canada	4 720	57,679			62 399	62 150
	33 957	133,028	3 417	16,539	186 941	187 764
Expense:						
Academic		111,485			111 485	104 270
Libraries		130			130	126
Student Affairs		654			654	715
Administration		2 160			2 160	2,527
Plant Maintenance		1			1	7
Other Academic Support		345			345	844
General		28	2,421	675	3 124	3 931
Scholarships, Bursaries, Prizes and Awards				8,948	8,948	8 669
Interest on Bank Loans, Long Term Debt Capital Advances and Capital Lease Obligations	9 839				9 839	5 925
Amortization of Capital Assets	37 919				37 919	33 437
	47 758	114,803	2 421	9 623	174 605	160 451
Net Revenue	(13 801)	18 225	996	6,916	12 336	27 313
Inter-Fund Transfers (Note 11)	54 447	(6,679)	(4 736)	(12,513)	30 519	30 554
Net Increase to Fund Balances	40 646	11,546	(3 740)	(5 597)	42 855	57 867
Fund Balances Beginning of the Year	474 534	72 458	17 277	139 717	703 986	646 119
Fund Balances End of the Year	$ 515 180	$ 84 004	$ 13 537	$ 134 120	$ 746 841	$ 703 986
Internally Restricted Funds	$	$	$ 6 365	$ 41,526	$ 47 891	$ 45 348
Externally Restricted Funds		84 004	7 172	92 594	183 770	184 104
Invested in Capital Assets	515 180				515 180	474 534
	$ 515 180	$ 84 004	$ 13 537	$ 134 120	$ 746 841	$ 703 986

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

Consolidated Statement of Cash Flows
for the years ended March 31
(in thousands of dollars)

	General Funds	*Restricted Funds*	*Endowment Fund*	*2007 Total Funds*	*2006 Total Funds*
Cash from Operating Activities:					
Excess of Revenue over Expense	$ 40,115	$ 12,336	$ 10,406	$ 62,857	$ 67,613
Amortization of Capital Assets		37,919		37,919	33,437
	40,115	50,255	10,406	100,776	101,050
Net Change in Non-Cash Working Capital Items	16,581	(22,042)		(5,461)	10,359
Net Change in Employee Future Benefits	(4,057)	3,548		(509)	3,234
Net Cash Generated through Operating Activities	52,639	31,761	10,406	94,806	114,643
Investing Activities:					
Decrease (Increase) in Long Term Investments	93	(3,893)	(12,809)	(16,609)	(31,883)
Purchase of Capital Assets		(80,793)		(80,793)	(119,900)
Net Cash Used in Investing Activities	93	(84,686)	(12,809)	(97,402)	(151,783)
Financing Activities:					
Proceeds from Refundable Deposits					346
Proceeds from Capital Lease Obligations		308		308	388
Proceeds from Long Term Debt		75,000		75,000	
Proceeds from Bank Loans					8,100
Principal Repayment on Capital Lease Obligations		(362)		(362)	(401)
Principal Repayment on Bank Loans		(8,540)		(8,540)	(319)
Principal Repayment on Long Term Debt		(5,068)		(5,068)	(3,001)
Net Cash Generated in Financing Activities		61,338		61,338	5,113
Net Increase (Decrease) in Cash	52,732	8,413	(2,403)	58,742	(32,027)
Inter-Fund Adjustments	(32,922)	30,519	2,403		
Cash Beginning of Year	69,622	69,469		139,091	171,118
Cash End of Year	$ 89,432	$ 108,401	$	$ 197,833	$ 139,091
Cash is defined as:					
Cash	$ 14,168	$ 11,415	$	$ 25,583	$ 14,603
Marketable Investments	75,264	96,986		172,250	124,488
	$ 89,432	$ 108,401	$	$ 197,833	$ 139,091

(The accompanying Notes form an integral part of the Consolidated Financial Statements)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

1. AUTHORITY AND PURPOSE

The University of Manitoba was established in 1877. It is governed by a Board of Governors acting under the authority of The University of Manitoba Act, R.S.M. 1987, c. U60. The University of Manitoba is a registered charity and is exempt from income taxes under Section 149 of the Income Tax Act.

The University of Manitoba, as the largest and most comprehensive institution of higher learning in Manitoba, plays a distinctive role within the Province. In addition to offering an undergraduate liberal education in arts, science and education, the University of Manitoba provides programs in a broad range of professional studies, applied sciences and the fine and performing arts and is responsible for the vast majority of graduate education and research in Manitoba. The University of Manitoba reaches out to a variety of constituencies in order to enhance the health, cultural, social and economic life of Manitobans and to provide lifelong learning opportunities for them. Through community service the University makes its expertise available to all Manitobans.

2. SIGNIFICANT ACCOUNTING POLICIES

a. General

These consolidated financial statements have been prepared in accordance with generally accepted accounting principles as recommended by the Canadian Institute of Chartered Accountants ("CICA") for not-for-profit organizations. The University has adopted the restricted fund method of accounting for contributions.

b. Basis of Consolidation

The consolidated financial statements include the accounts of Smartpark Development Corporation, a wholly owned subsidiary of the University of Manitoba. The company has a March 31 year end and its purpose is to facilitate and promote the development of a research park at the University of Manitoba.

c. Fund Accounting

The University classifies resources used for various purposes into separate Funds which correspond to its major activities and objectives. The Consolidated Statement of Financial Position combines the assets and liabilities of all Funds.

The University maintains its Funds under three fund categories, General, Restricted and Endowment Funds. The General Funds include the Funds for General Operating, Specific Provisions and Expenses Funded from Future Revenues. The Restricted Funds include the Capital Asset, Research and Special, Staff Benefits and Trust Funds. The Endowment Fund includes endowment funds of the University.

d. Accounting Estimates

Accounting estimates are included in financial statements to approximate the effect of past revenue or expense transactions or events, or to approximate the present status of an asset or liability. Examples include accruals for property taxes not yet assessed and the estimated useful life of an asset. It is possible that changes in future conditions could require changes in the recognized amounts for accounting estimates.

e. General Funds

General Operating Fund:

The General Operating Fund includes the academic, administrative, operational and ancillary costs that are funded by tuition and related fees, government grants, investment and miscellaneous income, sales of goods and services to external parties and ancillary income. As such, this Fund reports unrestricted resources and restricted resources earmarked for general operating purposes.

All funds received or accrued by the University for general operating purposes and for equipment and renovation expenses not meeting the University's capitalization criteria are included in the General Operating Fund. The net cost of operating units is determined by including internal cost allocations for certain centrally administered services such as the telephone system in the units' expenses and by deducting these expenses as internal cost recoveries from the total expenses incurred by the unit administering these services.

The University Book Store, Parking, Student Residences and Pharmacy/Post Office are classified as Ancillary Services and are budgeted on a break-even basis. Any surpluses or deficits are unrestricted and are maintained within the General Operating Fund. Overhead costs have been allocated to all ancillary operations. The replacement or improvement of capital assets for these ancillaries is funded by an annual appropriation to the Specific Provisions Fund. Amortization of ancillary capital assets and interest expense is recorded in the Capital Asset Fund.

Academic and administrative units also generate revenues through the sale of goods and services to individuals, companies and organizations external to the University. The revenues earned are unrestricted resources and are reflected in the General Operating Fund.

Specific Provisions Fund:
The Specific Provisions Fund records appropriations made from (to) the General Operating, Capital Asset and Research and Special Funds.

These appropriations are made to provide future funding for the replacement, improvement or emergency maintenance of capital assets, or other matters, including a fiscal stabilization provision to offset potential spending in excess of future budgets. Such appropriations are shown as inter-fund transfers on the Consolidated Statement of Operations and Changes in Fund Balances.

Expenses Funded From Future Revenues:
Expenses Funded from Future Revenues records the amount of unpaid vacation pay for permanent non-academic staff which will be funded from future revenues. It also records the actuarially determined expense for employee future benefits.

f. Restricted Funds

Capital Asset Fund:
The Capital Asset Fund consists of restricted contributions resulting from capital asset co-funding arrangements with external parties, contributed capital assets, sinking fund investment income and government grants, restricted for the purpose of acquiring capital assets and retiring capital advances. Expenses include interest on debt relating to the acquisition or construction of capital assets, amortization and gains or losses on disposal of capital assets, including write-downs resulting from obsolescence.

Research and Special Fund:
The Research and Special Fund consists of contributions specifically restricted for research or other special activities. Contributions are provided from both federal and provincial granting agencies and other public and private sources. These funds are spent in accordance with the conditions stipulated in the governing contracts and agreements.

Staff Benefits Fund:
The Staff Benefits Fund is divided into Fund Accounts for Pension Reserve, Self-Insured Plans and Benefit Reserve, the revenues of which are restricted for the purposes noted.

(i) Pension Reserve:
This Fund Account is restricted for special payments towards any unfunded liability of The University of Manitoba Pension Plan (1970) and the University of Manitoba Pension Plan (1993) and other pension obligations.

(ii) Self-Insured Plans:
This Fund Account records the assets and liabilities for two self-insured benefit plans, the Long Term Disability Income Plan and the Dental Plan. The Long Term Disability Income Plan is used for long term disability payments arising on and after June 1, 1981 for eligible staff. The Plan contains two funds, one for the payment of Basic Benefits and another for the payment of Cost-of-Living Benefits. The Dental Plan is administered by a contracted third party. Surplus funds are held for the purpose of covering deficits which may occur in this self-insured plan.

(iii) Benefit Reserve:
This Fund Account is used for the support of current and future staff benefit programs. Experience refunds related to the group insurance plans are credited to this Fund Account. Employment Insurance premium savings resulting from the extended sick leave coverage provided by the University are also credited to this Fund Account.

Trust Fund:
The Trust Fund records gifts and bequests received which may be used in their entirety along with net investment income earned on these funds, according to donor restrictions. The majority of these funds are used for scholarships, bursaries, awards, loans, and other scholarly activities.

g. Endowment Fund

The Endowment Fund records gifts and bequests received with the stipulation that these funds be invested in perpetuity and the income earned be utilized for designated purposes. In certain cases, the donor requires that a portion of the current investment income also be capitalized. As such, these funds are added to the capital account of the endowment.

h. Revenue Recognition

Restricted contributions relating to general operations are recognized as revenue of the General Operating Fund in the year in which the related expenses are incurred. All other restricted contributions are recognized as revenue of the appropriate restricted Fund when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Unrestricted contributions, including sales of goods and services and ancillary revenues, are recognized as revenue of the General Operating Fund in the year received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions for endowment purposes are recognized as revenue in the Endowment Fund in the year received. Investment income earned on endowments is recorded in the appropriate Fund depending on the restrictions imposed by the original donor.

Investment income earned on temporary surplus funds is recorded in the appropriate Fund depending on the restrictions imposed. Investment income on unrestricted surplus funds is recorded as unrestricted income in the General Operating Fund.

i. Contributed Materials and Services

Gifts-in-kind are recorded in the consolidated financial statements to the extent that they are eligible for an official donation receipt, since this results in the capture of the information in the University's financial records.

Because of the difficulty involved in tracking and recording contributed services, however, the market value of these services are not recognized in the consolidated financial statements. Contributed services include activities such as membership on the University's Board of Governors and its various committees, lecturing services and volunteer services at fund raising or sporting events all of which are performed by staff, students and the community at no charge to the University. These services, although not recognized in the consolidated financial statements, are critical to the successful functioning of the University.

j. Investments

All investments are recorded at cost. All investment income is recorded on an accrual basis. Realized gains on sales of investments are recognized in the year of disposal. Losses are recognized in the year of disposal or when there is a loss in value of the investment that is deemed to be other than temporary.

Trust and endowment funds are invested in either the University Investment Trust ("UIT") or the Specific Trusts. The UIT is pooled for investment purposes. Within the UIT, individual capital accounts are unitized to facilitate the equitable distribution of income based on the number of units. A new market value per unit is determined monthly. Capital contributions and withdrawals are based on the current market value per unit. Trust and endowment funds held in the UIT are invested in fixed income securities, equity markets and pooled real estate funds. These investments are professionally managed and held in the custody of independent companies. The Specific Trust funds are not pooled and are invested in the short term money market and fixed income securities.

Staff benefits funds are invested in pooled funds in the fixed income securities and equity markets. These investments are professionally managed and held in the custody of an independent company.

k. Pledges Receivable

The University does not record pledges receivable in its consolidated financial statements. Revenue from gifts, bequests and donations is recognized on a cash basis because of the uncertainty surrounding collection and in some instances because of the difficulty in determining the valuation of pledges receivable. The University recognizes gifts and donations to be received through the University of Manitoba Foundation U.S.A. Inc. only when the Board of Directors of the Foundation have formalized the transfer with a resolution, collectibility is reasonably assured and the valuation of these gifts and donations can be reasonably determined.

l. Inventories

Inventories have been valued at the lower of cost and net realizable value.

m. Capital Assets

Purchased capital assets are recorded at cost. Capital assets which are constructed by the University are recorded as Construction in Progress until the capital asset is put into use. Contributed capital assets are recorded at market value at the date of contribution. Intangibles such as patents and copyrights are recorded at a nominal amount of one dollar in the year the patent or copyright is obtained.

Amortization is provided on a straight-line basis over the assets' estimated useful lives as follows.

Buildings and Major Renovations	15-50 years
Computer Hardware, Software and Electronics	5-10 years
Furniture and Equipment	10 years
Library Books	10 years
Parking Lots	20 years
Vehicles	5 years

Equipment acquired under a capital lease is amortized over the term of the lease. Works of art, treasures, rare books and manuscripts are not amortized.

n. Collections

The University holds a number of collections which have been donated to its libraries, faculties and schools over the years. The library, faculty or school receiving the donation assumes responsibility for safeguarding and preserving the collection. The University seldom, if ever, disposes of its collections or of individual pieces in its collections and therefore does not have a formal policy with respect to the use of proceeds of disposal. However, the University abides by all restrictions placed by donors at the time a donation is received, which may include restrictions imposed relating to the sale of a collection or items contained therein.

The University's policy with regard to its collections is to fund maintenance expenses from the General Operating Fund, if monies are not available for such purposes in a Restricted Fund. The cost of maintenance is not tracked and is therefore not determinable.

o. Pension Costs

The cost of pension benefits earned by employees who are members of the University of Manitoba Pension Plan (1970) or the University of Manitoba Pension Plan (1993) is determined actuarially using the projected unit credit actuarial cost method and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees. Pension costs for The University of Manitoba GFT Pension Plan (1986) are based on the contributions required of the University by that Plan.

p. Financial Instruments

The financial instruments at the University consist of cash, marketable investments, accounts receivable, long term investments, accounts payable, refundable deposits, capital lease obligations and long term debt. Unless otherwise noted, it is management's opinion that the University is not exposed to significant interest, currency, market or credit risks arising from these financial instruments. The fair values of these instruments approximate their carrying values, unless otherwise disclosed.

q. Employee Future Benefits

The University accrues its obligations for employee future benefit plans relating to health, dental, long term disability and group life insurance. The cost of non-pension post-retirement and post-employment benefits earned by employees is actuarially determined using the projected benefit method pro-rated on service and management's best estimates for the discount rate for liabilities, the expected rate of return on assets, retirement ages and expected future health care cost trends.

The University also accrues its obligations relating to post-retirement adjustments to pensions for specifically entitled employees who retired prior to 1993. The cost of such post-retirement pension adjustments is also determined using the projected benefit method and management's best estimate for the discount rate for liabilities and the expected rate of return on assets. Any increase in such adjustments is recognized in the year that it occurs.

The expected return on assets is based on the book value of assets supporting the long term disability income plan and the post-retirement adjustment fund.

Actuarial gains or losses are recognized in the year the gain or loss arises.

r. Foreign Currency Translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year end exchange rate. Revenues and expenses are translated at exchange rates on the transaction dates. Gains or losses arising from these translations are included in earnings.

s. Interest Rate Swaps

An interest rate swap is a derivative financial contract between two parties who agree to exchange fixed rate interest payments for floating rate payments on a predetermined notional amount and term. From time to time, the University enters into interest swap agreements in order to manage the interest rate exposure associated with certain debt obligations. Because long term swap agreements effectively and completely hedge the underlying short term debt obligations, the University reflects the obligations as long term debt in the financial statements.

3. ACCOUNTS RECEIVABLE

	2007	2006
Council on Post-Secondary Education	$ 57	$ 156
General	33,450	33,665
Research and Special	27,647	20,917
	$ 61,154	$ 54,738

4. INVESTMENTS

The fair values and book values of investments as at March 31 are:

	2007 Fair Value	2007 Book Value	2006 Book Value
Operating			
University of Manitoba Research Ltd.	$	$	$ 93
Research and Special Funds			
Guaranteed Investment Certificate	346	346	346
Trust & Endowment			
Bankers Acceptances, Guaranteed Investment Certificates and Cash	25,753	25,753	31,232
Bonds and Other Fixed Income Securities:			
Government of Canada	27,700	27,142	29,416
Province of Manitoba	1,593	1,591	4,018
Other Provincial	11,844	11,197	6,769
Municipal	4,863	4,656	3,318
Corporate	30,286	29,936	25,142
Other	4,167	4,116	6,211
	80,453	78,638	74,874
Equities:			
Canadian Equities	108,730	69,921	55,956
US Equities	63,030	56,802	52,340
International Equities	54,725	42,595	47,286
	226,485	169,318	155,582
Pooled Real Estate Fund	5,112	4,992	
	337,803	278,701	261,688
Capital*			
Bankers Acceptances, Guaranteed Investment Certificates and Cash	2,011	2,011	206
Province of Manitoba Bonds	198	196	1,970
	2,209	2,207	2,176

Continued on page 31

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

	2007 Fair Value	2007 Book Value	2006 Book Value
Staff Benefits			
Money Market Funds and Cash	504	504	422
Bonds	12,497	11,846	11,619
Equities			
Canadian Equities	9,126	5,643	5,423
US Equities	5,116	5,325	5,631
International Equities	5,263	4,031	4,669
	19,505	14,999	15,723
Mortgage Fund	3,570	3,486	3,413
	36,076	30,835	31,177
Total Investments	$ 376,434	$ 312,089	$ 295,480

*Represents Sinking Fund Assets on Deposit with the Province of Manitoba, which are held to retire the Capital Advances as described in Note 8

5. ECONOMIC INTEREST IN RELATED ENTITIES

The University of Manitoba Foundation U.S.A. Inc.

The University has an economic interest in the University of Manitoba Foundation U.S.A. Inc. ("the Foundation") which is an Illinois Not-For-Profit Corporation incorporated in December 1989. The Foundation's purpose is exclusively charitable, literary, scientific and educational and its activities include the promotion, encouragement, aid and advancement of higher education, research and training in the Province of Manitoba, in Canada and elsewhere. The Foundation is exempt from U.S.A. Federal Income Tax under Section 501(c)(3) of the Internal Revenue Code.

The Board of Directors of the Foundation is an independent board whose members direct and guide the Foundation's actions. Members on the Board include, among others, certain senior staff of the University of Manitoba. The University of Manitoba, however, is one of many universities eligible to receive aid from the Foundation. The University must make application to the Foundation's Board of Directors to request funds, which may or may not be granted. The University's economic interest therefore is beneficial, as gifts and donations which are solicited by the Foundation may be transferred to the University of Manitoba from time to time.

6. CAPITAL ASSETS, NET OF ACCUMULATED AMORTIZATION

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Assets Under Capital Lease	$ 2,548	$ 1,966	$ 3,539	$ 2,849
Buildings and Major Renovations	545,021	130,116	495,356	119,083
Computer Hardware, Software and Electronics	92,981	62,499	86,411	57,353
Construction in Progress	20,264		29,790	
Furniture and Equipment	155,981	87,055	139,850	77,190
Land	11,753		11,249	
Library Books	135,451	94,726	126,962	88,038
Parking Lots	6,603	728	3,187	483
Rare Books and Manuscripts	4,333		4,278	
Vehicles	6,647	5,361	6,073	5,107
Works of Art	1,764		1,429	
	983,346	382,451	908,124	350,103
Less Accumulated Amortization	382,451		350,103	
Net Book Value	$ 600,895		$ 558,021	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

7. CAPITAL LEASE OBLIGATIONS

Minimum lease payments which include principal and interest under the capital lease obligations are as follows:

2008	$ 286
2009	215
2010	132
2011	62
Total Minimum Lease Payments	695
Less: Interest at 5.64%	(39)
	656
Less: Current Portion	(263)
	$ 393

8. LONG TERM DEBT

	2007	2006
Province of Manitoba		
Promissory Note, 5.23% due March 1, 2035	$ 72,820	$ 73,939
Promissory Note, 5.55% due April 1, 2036	74,085	
	146,905	73,939
Capital Advances		
5 7/8% due May 20, 2007	482	482
7 1/8% due July 27, 2008	706	706
6 7/8% due December 15, 2009	257	257
6 7/8% due March 31, 2011	555	555
	2,000	2,000
Term Loans:		
*Smartpark Multi Tenant Facility, 6.05% due October 31, 2012	1,371	1,404
*Smartpark Multi Tenant Facility, 5.95% due January 22, 2014	3,350	4,350
	4,721	5,754
Bankers Acceptances with Interest Rate Swaps		
Arthur V. Mauro Student Residence, 5.92% due September 5, 2028	15,860	16,211
Energy Performance Program, 4.31% due November 10, 2009	4,767	6,417
	20,627	22,628
	174,253	104,321
Less Current Portion		
Promissory Notes	(2,231)	(1,118)
Capital Advances	(482)	
Term Loans	(35)	(33)
Bankers Acceptances	(2,094)	(2,001)
	(4,842)	(3,152)
	$ 169,411	$ 101,169

*Represents debt of Smartpark Development Corporation

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 5.92% on a 25 year loan for the Arthur V. Mauro Student Residence. The stamping fee is committed until September 1, 2013. Under the terms of the agreement, the University is required to make monthly principal and interest repayments similar to a conventional amortizing loan. The notional principal underlying this swap agreement amounted to $15,860 as at March 31, 2007 (2006, $16,211).

The University entered into an interest rate swap agreement whereby the University has fixed a swap rate of 4.31% on the Energy Performance Program loan. Under the terms of this agreement, the University is also required to make monthly principal and interest payments. The notional principal underlying this agreement amounted to $4,767 as at March 31, 2007 (2006, $6,417). The stamping fee is committed until November 10, 2007.

The University's exposure to interest rate risk is managed through the use of these swap agreements.

Principal repayments on long term debt payable over the next five years are as follows:

	Promissory Notes	Capital Advances	Term Loans	Bankers Acceptances	Total
2008	$ 2 231	$ 482	$ 35	$ 2 094	$ 4 842
2009	2 355	706	37	2 195	5 293
2010	2 484	257	39	1 665	4 445
2011	2 621	555	42	445	3 663
2012	2 766		44	474	3 284
Thereafter	134 448		4 524	13 754	152 726
	$146 905	$ 2 000	$ 4 721	$ 20 627	$ 174 253

9. EMPLOYEE FUTURE BENEFITS

The University of Manitoba provides certain health, dental and group life benefits for its retired employees and long term disability benefits for current employees. Post-retirement pension benefits are also provided for specifically entitled retirees.

Health, dental and group life benefits are provided to employees who retired prior to July 1, 2004 on a non-contributory basis. The group life benefits are indexed post-retirement. For eligible employees retiring on or after July 1, 2004, no group life benefit is available, and employees share in the cost of the health and dental benefits.

The long term disability income benefit is provided on a contributory basis.

Post-retirement pension benefits are provided to specifically entitled employees who retired prior to 1993. The adjustments for a year are determined as the lesser of the amounts that can be provided by a weighted average percentage salary increase at the University, or the excess interest approach provided under the University of Manitoba Pension Plan (1993). One hundred percent of the adjustments are paid by the University (50% from the General Operating Fund and 50% from the Staff Benefits Fund).

The University measures the book value of assets and the accrued benefit obligations for the non-pension and post-retirement pension adjustments as of March 31. The most recent actuarial valuations were as of March 31, 2007.

The Accrued Benefit Obligation for the non-pension benefit plans and the post-retirement adjustments are reported in the University's Consolidated Statement of Financial Position under Long Term Liabilities.

Information about the University's defined benefit plans as at March 31 is as follows:

	Non-Pension Benefit Plans		Post-Retirement Adjustments		Total	
	2007	2006	2007	2006	2007	2006
Benefit Cost	$ 1 443	$ 5 970	$ 577	$ 362	$ 2 020	$ 6 332
Accrued Benefit Obligation	48 606	48 995	5 996	6 116	54 602	55,111
Plan Assets	18 193	17 463	1 327	1 609	19 520	19 072
Employer Contribution	2 561	2 903	415	437	2 976	3 340
Employees' Contributions	1 431	991			1,431	991
Benefits Paid	3 992	3 894	829	871	4 821	4 765

Plan assets consist of:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2007	2006	2007	2006
Equities	45%	46%	3%	4%
Fixed Income	36%	35%	3%	3%
Other	12%	11%	1%	1%
Total	93%	92%	7%	8%

Key Assumptions are:

	Non-Pension Benefit Plans		Post-Retirement Adjustments	
	2007	2006	2007	2006
Accrued benefit obligation at March 31				
Discount rate	4.90%	5.00%	4.90%	5.00%
Benefit Cost for year ended March 31				
Discount rate	5.00%	5.75%	5.00%	5.75%
Expected rate of return on assets	5.00%	5.75%	5.00%	5.75%
Health Care Cost Trend Rates at March 31				
Initial rate	10.00%	8.00%		
Ultimate rate	5.00%	5.00%		
Year ultimate rate reached	2017	2014		
Dental Care Cost Trend Rates at March 31				
Initial rate	4.00%	4.25%		
Ultimate rate	4.00%	4.25%		

10. INTER-FUND ADVANCES AND LOANS

Inter-Fund advances and loans at March 31 are as follows:

	2007	2006
General Operating Fund		
Due to Trust	$ (201)	$ (6,644)
Due to Staff Benefits	(150)	
Due to Capital Asset	(31,106)	(14,970)
	$ (31,457)	$ (21,614)
Capital Asset Fund		
Due from Operating	$ 31,106	$ 14,970
Trust Fund		
Due from Operating	$ 201	$ 6,644
Staff Benefits Fund		
Due from Operating	$ 150	$ 0

11. INTER-FUND TRANSFERS

Inter-Fund transfers at March 31 are as follows:

	General Operating	Specific Provisions	Expenses Funded From Future Revenues	Capital Asset	Research and Special	Staff Benefits	Trust Fund	Endowment Fund
Employee Future Benefits	$ (509)	$	$ 4,057	$	$	$ (3,548)	$	$
Net Change in Vacation Pay Liability	544		(544)					
Benefit Premiums Net of Employer Contributions for Staff Benefits	1,188					(1,188)		
Appropriations for Specific Provisions								
Capital Asset Replacements & Improvements	(3,012)	3,012						
Unit Carryovers, Special Projects & Initiatives	(9,235)	9,235						
Funding of Capital Asset Additions	(22,312)	(6,331)		33,906	(4,512)		(751)	
Long Term Debt Repayments	(4,304)			4,316	(12)			
Student Contributions to University Development Funds	(1,306)			82			272	952
Student Contributions for Technology	(3,343)			6,969			(3,626)	
Scholarships, Bursaries & Prizes	(3,432)	(100)		730	(14)		2,816	
Other Net Transfers	468			1,858	(456)		(3,322)	1,451
Overhead Recoveries	2,048				(2,048)			
Funding of General Operating Expenses	6,614	(2,180)		(531)			(4,103)	
Unit Capital Development Assessment	(3,681)			7,117			(3,436)	
Funding of Research Projects					363		(363)	
March 31, 2007	$ (40,071)	$ 3,636	$ 3,513	$ 54,447	$ (6,679)	$ (4,736)	$ (12,513)	$ 2,403
March 31, 2006	$ (25,048)	$ (4,661)	$ (4,319)	$ 38,297	$ (7,145)	$ (957)	$ 359	$ 3,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED MARCH 31

(in thousands of dollars)

12. CONTRIBUTED CAPITAL ASSETS

Contributions recognized in the Capital Asset Fund include contributed building, capital equipment and library books of $1,201 (2006, $3,705).

13. PENSION PLANS

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trusteed pension plans. The Trustees are responsible for the custody of the Plans' assets and issuance of annual financial statements, which do not form part of the University's financial statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the Plans and the matching contribution is adequate to fund the Plan and the current level of funding satisfies the requirements of the Manitoba Pensions Benefit Act.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method, and assumptions developed by reference to expected long-term market conditions. An actuarial valuation effective December 31, 2003 was completed in 2004 for the 1970 plan, by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2006. An actuarial valuation of the 1993 Plan, effective December 31, 2005 was completed in 2006. As at December 31, 2006, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of $832 (2005, $773) and $25,243 (2005, $11,993), respectively. The University cannot access this surplus and as a result, no asset has been recorded.

The actuarial present value of benefits as at December 31 and the principal components of changes in actuarial present values during the year, were as follows:

	2006		2005	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Actuarial present value of accrued pension benefits at beginning of year	$ 839,732	$ 17,364	$ 769,174	$ 15,730
Interest accrued on benefits	55,348	1,343	30,446	923
Benefits accrued	30,012	1,673	28,526	1,434
Benefits paid	(56,447)	(781)	(46,822)	(723)
Actuarial gain/loss			2,056	
Change in asset valuation method			44,758	
Change in assumptions			11,594	
Actuarial present value of accrued pension benefits at end of year	$ 868,645	$ 19,599	$ 839,732	$ 17,364

The significant long-term assumptions used in the valuation of the accrued pension benefits of the 1993 Plan were a rate of return on assets of 6.0% per annum, a general rate of salary increase of 3.0% for the first three years and 4.0% thereafter, and a 6.0% interest assumption as the basis for converting member accumulations into annuities. However, in preparing the extrapolation the investment return used for 2006 was 8.41% being the rate of return for that year based on the actuarial asset values.

The significant long-term assumptions used in the valuation of the accrued pension benefits of the 1970 Plan were a rate of return on assets of 6.5% per annum, a general rate of salary increase of 3.0% for the first three years and 4.5% thereafter, and a 6.0% interest assumption as the basis for converting member accumulations into annuities. However, in preparing the extrapolation the investment return used for 2004, 2005 and 2006 was 5.66% 5.74% and 7.54% respectively, being the rates of return for those years based on the actuarial asset values.

The actuarial value of net assets available for benefits, has been determined using a five year moving average fair value method. Under this method, the fair value is the underlying basis, but capital gains and losses are amortized over a five year period.

The fair and actuarial values of net assets available for benefits as at December 31 were as follows:

	2006		2005	
	1993 Plan	1970 Plan	1993 Plan	1970 Plan
Fair value of net assets available for benefits	$ 974,371	$ 23,674	$ 901,999	$ 20,397
Fair value changes not reflected in the actuarial value of net assets	(80,483)	(3,243)	(50,274)	(2,260)
Actuarial value of net assets available for benefits	$ 893,888	$ 20,431	$ 851,725	$ 18,137

The University recognized expenses equal to its contributions of $14,950 (2006, $14,290) for the 1970 Plan and for the 1993 Plan for the year ended March 31, 2007. Employee contributions matched the employer contributions.

The next full actuarial valuation of the Plans will be effective December 31, 2006 and will be completed in 2007.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan, therefore, there is no requirement for an actuarial valuation of this Plan. The University's contributions to this Plan were $1,533 in 2007 (2006, $1,459).

14. COMMITMENTS AND CONTINGENCIES

The University of Manitoba is a member of the Canadian Universities Reciprocal Insurance Exchange (CURIE). CURIE pools the property damage and public liability insurance risks of its members. All members pay annual deposit premiums which are actuarially determined and are subject to further assessment in the event members' premiums and reserves are insufficient to cover losses and expenses. No additional assessment was necessary for the current year.

Contractual commitments relating to Construction in Progress amount to $34,971 (2006, $10,793).

The University of Manitoba is named as a defendant in litigations where action has commenced or is anticipated. While the ultimate outcome of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that the outcome will not have a material effect on the financial position of the University. No provision has been made in the financial statements in respect of these claims as of March 31, 2007.

15. COMPARATIVE FIGURES

Comparative figures for the year ended March 31, 2006 have been restated, where appropriate, to conform with the presentation adopted for March 31, 2007.

THE UNIVERSITY OF
WINNIPEG

UNIVERSITY OF WINNIPEG

MANAGEMENT REPORT

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to ensure the assets of the University are properly safeguarded.

The Board of Regents has reviewed and approved these consolidated financial statements.

On Behalf of Management

(Original signed by Bill Balan)

Bill Balan
Acting Vice-President (Finance & Administration)

(Original signed by B. Douglas Prophet)

B. Douglas Prophet, CA
Associate Vice-President Finance

Winnipeg, Manitoba
June 8, 2007

OFFICE OF THE
AUDITOR GENERAL
MANITOBA

AUDITOR'S REPORT

To the Legislative Assembly of Manitoba
To the Board of Regents of the University of Winnipeg

We have audited the consolidated statement of financial position of the University of Winnipeg as at March 31, 2007 and the consolidated statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the University as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Carol Bellringer

Winnipeg, Manitoba
June 8, 2007
Except for note 23 which is at June 29, 2007

Carol Bellringer, FCA, MBA
Auditor General

THE UNIVERSITY OF WINNIPEG **Statement I**
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at March 31, 2007
(with comparative figures for 2006)

ASSETS

	2007 $000	2006 $000
Current Assets:		
Cash and Cash Equivalents (Note 3)	$18,777	$13,105
Accounts Receivable	3,531	4,200
Due from Related Parties (Note 19)	1,223	391
Prepaid Expenses	748	925
Inventory	1,193	1,106
	25,472	19,727
Long Term Investments (Note 4)	1,566	1,566
Capital Assets (Note 5)	56,400	53,308
	$83,438	$74,601

LIABILITIES AND NET ASSETS

	2007 $000	2006 $000
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$6,640	$6,234
Deferred Revenue	2,634	2,150
Deferred Contributions (Note 6)	5,702	5,033
Unfunded Staff Benefits (Note 7)	1,466	1,409
Due to Related Party (Note 19)	179	306
	16,621	15,132
Obligations under Capital Leases (Note 9)	423	0
Long Term Liabilities (Note 10)	1,414	1,913
Deferred Capital Contributions (Note 11)	48,221	40,936
Net Assets:		
Unrestricted Net Assets	2,101	2,041
Internally Restricted Net Assets (Note 12)	1,395	1,488
Endowments (Note 13)	2,684	2,462
Investment in Capital Assets	10,579	10,629
	16,759	16,620
	$83,438	$74,601

Trust Assets (Note 13)
Commitments (Notes 15, 16, 17, 22)
Contingencies (Note 18)
Subsequent Events (Note 10, 23)

Approved by the Board of Regents

(Original signed by Terry Hidichuk)
Chair, Board of Regents

(Original signed by Lloyd Axworthy)
President & Vice Chancellor

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS
For the Year Ended March 31, 2007
(with comparative figures for 2006)

Statement II

	2007 $000	2006 $000
REVENUE		
Government Grants:		
Council on Post Secondary Education	$40,448	$37,753
Other Province of Manitoba	1,662	1,542
Government of Canada	2,634	2,473
Student Academic Fees	28,335	26,973
Gifts, Grants and Bequests	1,257	2,181
Investment Income	1,684	1,574
Sales of Services and Products	4,626	4,310
Other Revenues	5,252	4,806
Amortization of Deferred Capital Contributions (Note 11)	1,668	1,323
	87,566	82,935
EXPENSES		
Salaries	50,095	47,634
Staff Benefits	6,908	6,294
Supplies, Services and Other Expenses	13,881	12,376
Cost of Sales	3,049	3,045
Building, Utility and Related Expenses	6,376	6,289
Provincial and Municipal Taxes	1,099	1,398
Scholarships and Awards	2,601	2,362
Gifts to Related Parties (Note 19)	818	1,565
Amortization of Capital Assets	2,822	2,450
	87,649	83,413
DEFICIENCY OF REVENUE OVER EXPENSES	($83)	($478)

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended March 31, 2007
(with comparative figures for 2006)

Statement III

	2007					2006
	UNRESTRICTED NET ASSETS $000	**INTERNALLY RESTRICTED NET ASSETS (Note 12) $000**	**ENDOWMENTS (Note 13) $000**	**INVESTMENT IN CAPITAL ASSETS $000**	**TOTAL $000**	**TOTAL $000**
BALANCE, BEGINNING OF YEAR	$2,041	$1,488	$2,462	$10,629	$16,620	$15,286
Deficiency of Revenue Over Expenses	(83)				(83)	(478)
Direct Increases (Decreases):						
Endowment Contributions			222		222	1,812
Transfers:						
Internally Funded:						
Capital Asset Additions	(1,076)			1,076	0	0
Amortization of Capital Assets	1,082			(1,082)	0	0
Loss on Disposal of Capital Assets	165			(165)	0	0
Repayment of Long Term Debt	(121)			121	0	0
Internally Restricted Net Assets – Trust	(99)	99			0	0
Strategic Provisions – Reductions (Note 12)	601	(601)			0	0
Strategic Provisions – Additions	(409)	409			0	0
NET CHANGE FOR THE YEAR	60	(93)	222	(50)	139	1,334
BALANCE, END OF YEAR	$2,101	$1,395	$2,684	$10,579	$16,759	$16,620

See accompanying notes to the consolidated financial statements.

THE UNIVERSITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended March 31, 2007
(with comparative figures for 2006)

Statement IV

	2007 $000	2006 $000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from:		
Government Grants	$45,352	$42,554
Student Academic Fees	27,823	26,631
Gifts, Grants and Bequests	2,109	2,469
Investment Income	1,676	1,609
Sales of Services and Products	4,575	4,342
Other Revenues	5,594	4,728
Cash Paid for:		
Salaries and Benefits	(56,934)	(54,211)
Supplies, Services and Other Expenses	(13,803)	(11,533)
Cost of Sales	(2,938)	(3,544)
Building, Utility and Related Expenses	(6,610)	(6,112)
Provincial and Municipal Taxes	(1,099)	(1,515)
Scholarships and Awards	(2,610)	(2,356)
Gifts to Related Parties	(995)	(1,683)
	2,140	1,379
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Purchase of Capital Assets	(4,581)	(8,888)
	(4,581)	(8,888)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Cash Contributions Received for Endowment	222	0
Long Term Debt Repayments on Mortgages	(234)	(216)
Long Term Debt – Building Purchase	0	980
Cash Received for Deferred Capital Contributions	8,125	6,131
	8,113	6,895
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,672	(614)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	13,105	13,719
CASH AND CASH EQUIVALENTS, END OF YEAR	$18,777	$13,105
Cash and Cash Equivalents Consists of:		
Cash in Bank	2,721	14
Short Term Investments	16,056	13,091
	$18,777	$13,105

Excluded from Investing and Financing Activities are assets acquired under Capital Leases and the related obligations under Capital Leases totalling $605 (2006 - nil).

See accompanying notes to the consolidated financial statements.

1. Authority and Purpose

The University of Winnipeg (the University) operates under the authority of the University of Winnipeg Act of the Province of Manitoba. The primary role of the University is to provide post secondary education and research in Arts, Sciences and Education. The University also operates the Collegiate, an independent high school and a number of other education related activities. The University is a registered charity and is exempt from the payment of income taxes.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

A) Contributions

The University has chosen to use the deferral method of accounting for contributions. Under the deferral method of accounting for contributions, restricted contributions related to expenses of future periods are deferred and recognized as revenue in the period in which the related expenses are incurred. Restricted contributions are stipulations imposed that specify how resources must be used. External restrictions are imposed from outside the organization, usually by the contributor of the resources. Restrictions on contributions may only be externally imposed.

B) Revenue Recognition

Operating grants are recognized as revenue in the period received or receivable. Revenues received for tuition fees and sales of goods and services are recognized in the period in which the goods are received or the services rendered or substantially rendered.

Deferred contributions are externally restricted non-capital and non-endowment contributions which are deferred and are recognized as revenue in the period in which the related expenses are incurred.

Debt owing to the Province of Manitoba is reflected as deferred capital contributions in the statement of financial position. The related revenue earned from the Council on Post Secondary Education to offset the interest expense are both excluded from the statement of operations and changes in fund balances.

Externally restricted contributions for the acquisitions of capital assets having limited lives are recorded as deferred capital contributions in the period in which they are received. Amortization of deferred capital contributions is recognized as earned revenue in the periods in which the related amortization expense of the funded capital asset is recorded.

Endowment contributions are recorded as direct increases in net assets in the period in which they are received.

C) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks and highly liquid temporary money market instruments convertible to cash within three months or less. Bank borrowings are considered to be financing activities.

D) Investments

Investments are recorded at cost with the exception of donated investments, which are recorded at estimated fair value on the date received. When there has been a loss in the value of a long term investment, that is other than a temporary decline, the investment is written down to recognize the loss.

E) Inventories

Bookstore and Printing inventories are valued at the lower of cost or net realizable value.

F) Capital Assets

Capital assets and collections purchased by the University are recorded at cost. Collections include Art Work and Rare Books recorded at fair value derived by independent appraisal at the time of acquisition or donation. Donated assets are recorded at estimated fair market value on the date received. Land, collections of rare books and works of art are not amortized. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings, Additions and Improvements	60 years
Leasehold Improvements	Term of Lease
Library Acquisitions	10 years
Furnishings and Equipment	10 years
Major System Computer Software	10 years
Computer Equipment and Software	5 years
Vehicles	5 years
Equipment under Capital Lease	Term of Lease

G) Use of Estimates

In preparing the University's consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

H) Principles of Consolidation

The consolidated financial statements of the University include the accounts of the University of Winnipeg Education Housing Corporation (UWEHC), a wholly owned entity. UWEHC secures and provides affordable residential accommodation for the benefit of persons enrolled at the University. The University of Winnipeg Foundation (the Foundation) (Note 16) and the University of Winnipeg Community Renewal Corporation (UWCRC) (Note 17), both controlled entities, are not consolidated in these financial statements.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	2007 $000	2006 $000
Operating Funds	$10,229	$7,694
Sponsored Research and Designated Funds	2,561	1,946
	12,790	9,640
Trust Funds	5,987	3,465
	$18,777	$13,105

Trust funds are held for deferred contributions - $2,870 (2006 - $2,721), internally restricted net assets - $661 (2006 - $562), endowments - $1,118 (2006 - $0) and due to operating - $1,338 (2006 - $182).

4. Long Term Investments

Long term investments are comprised of endowment funds (Note 13):

	2007 $000	2006 $000
Fixed Term Instruments	$600	$600
Investment Shares	50	50
Properties	916	916
	$1,566	$1,566

5. Capital Assets

	2007			2006
	Cost $000	Accumulated Amortization $000	Net Book Value $000	Net Book Value $000
Land	$2,211	$0	$2,211	$2,211
Buildings, Additions and Improvements	61,004	18,597	42,407	34,689
Library Acquisitions	12,369	10,464	1,905	1,727
Furnishings and Equipment	25,971	20,007	5,964	6,375
Collections	1,221	0	1,221	1,172
Buildings Under Construction	2,159	0	2,159	7,134
Equipment Under Capital Lease	605	72	533	0
	$105,540	$49,140	$56,400	$53,308

Furnishings and Equipment include Vehicles, Major System Computer Software and Computer Equipment and Software.

6. Deferred Contributions

Deferred contributions represent contributions received for special purposes such as Sponsored Research and Designated Funds and Special Purpose Trust consisting of scholarships and bursaries, library acquisitions and lecture funds.

	2007 $000	2006 $000
Balance, Beginning of Year	$5,033	$4,910
Contributions Received	7,555	8,322
Contributions Expended	(6,119)	(6,634)
Transferred to Foundation	(767)	(1,565)
Balance, End of Year	$5,702	$5,033
Balance Consists of:		
Sponsored Research and Designated Funds	$2,832	$2,312
Special Purpose Trust	2,870	2,721
	$5,702	$5,033

7. Unfunded Staff Benefits

The balance of unfunded staff benefits includes:

	2007 $000	2006 $000
Accrued Vacation Pay	$1,382	$1,326
Supplementary Pension Payable - Current Portion	84	83
	$1,466	$1,409

8. Bank Indebtedness

The University has an operating line of credit with a bank authorized in the amount of $750. The line of credit is unsecured and bears interest at prime. It was not utilized at March 31, 2007 or March 31, 2006.

9. Obligations under Capital Leases

The following is a schedule of future minimum lease payments under capital leases expiring between July 1, 2011 and March 1, 2012 together with the balances of the obligations under capital leases:

	$000
2007/08	$134
2008/09	134
2009/10	134
2010/11	134
2011/12	54
Total minimum lease payments	590
Less amount representing interest at approximately 3.5%	(52)
Balance of obligations	538
Current Portion	115
Obligations under Capital Leases	$423

Interest expense for the current year on the lease obligations amounted to $13. The current portion of the Obligations under Capital Leases of $115 has been included in Accounts Payable and Accrued Liabilities.

10. Long Term Liabilities

	2007 $000	2006 $000
Promissory Note	$694	$792
Mortgage Payable	174	203
UWEHC Mortgages Payable	0	287
Supplementary Pensions Payable	546	631
	$1,414	$1,913

The promissory note represents an unsecured loan from the Province of Manitoba. The loan in the amount of $980 was used to finance the property located at 509 Ellice Avenue and 433 Young Street. The loan is due on April 15, 2015 and has an interest rate of 4.45%. It is repayable at $8 principal plus interest per month. Principal payments on the note amount to $98 per year.

The mortgage payable, secured by Graham Hall, is payable to Canada Mortgage and Housing at 5 3/8% due October 1, 2012. The Council on Post-Secondary Education annual operating grant provides for the $40 annual mortgage payment. Principal payments on this mortgage during the next five years are: 2008 - $30; 2009 - $31; 2010 - $33; 2011 - $35; 2012 - $37.

UWEHC mortgages are secured by Balmoral Street and Spence Street properties and are payable to the Assiniboine Credit Union. The mortgage payable on the Balmoral Street properties is a variable term mortgage and has a floating interest rate at prime. Due to the nature of this mortgage it has been recorded as a current liability. The four individual mortgages payable on the Spence Street properties are due April 1, 2007 and have an interest rate of 6.75%. On April 1, 2007, these mortgages were renewed with the Assiniboine Credit Union for a five-year term (maturing April 1, 2012) and have an interest rate of 6.55%.

Included in accounts payable and accrued liabilities is the current portion of long term debt of $128 (2006 - $451).

Interest paid during the year on long term liabilities totalled $89 (2006 - $93).

11. Deferred Capital Contributions

Deferred capital contributions represent unamortized external contributions related to the purchase of capital assets in the amount of $43,713 (2006 - $40,936) and funds held for future capital project expenditures in the amount of $4,508 (2006 - $0). The amortization of deferred capital contributions is recorded as revenue in the Statement of Operations.

	2007 $000	2006 $000
Balance, Beginning of Year	$40,936	$36,402
Contributions Received	1,228	2,910
Contributions from University of Winnipeg Foundation Specified Fund	7,696	2,920
Mortgage Principal Contributions	29	27
Amortization of Deferred Capital Contributions	(1,668)	(1,323)
Balance, End of Year	$48,221	$40,936

12. Internally Restricted Net Assets

Internally restricted net assets balance at March 31, 2007 is $1,395 (2006 - $1,488). It consists of cumulative net unrestricted trust income of $660 (2006 - $561) and strategic provisions of $735 (2006 - $927).

The cumulative net unrestricted trust income of $660 is available to fund Board of Regents scholarships.

The strategic provisions additions represent an appropriation from unrestricted net assets to internally restricted assets. This transfer is made to provide for future funding support of initiatives within the Strategic Plan and the Academic Plan. Actual expenditures related to strategic provisions are charged to operations with a corresponding transfer of funds from internally restricted (see Statement III).

The strategic provisions provide for:

	March 31, 2006 $000	Reductions $000	Transfers $000	Additions $000	March 31, 2007 $000
Fiscal Stabilization					
Defined Benefit Pension Sinking Fund	$500	($500)			$ 0
Infrastructure					
Student Information System	0			384	384
Academic Equipment	100				100
Building Renovations	66	(13)			53
Strategic Development					
Internal Research Grants	75	(6)			69
Library Endowment	13	(13)			0
World Council on Gifted Children	9	(9)			0
Employment Equity	20	(3)	(17)		0
Project Development	144	(57)	17	25	129
	$927	($601)	$0	$409	$735

13. Net Assets Restricted for Endowment Purposes

Endowments consist of externally restricted contributions where the principal donation is required to be maintained in perpetuity. The investment income generated from endowments must be used in accordance with the various purposes established by the donors.

Endowments are comprised of long-term investments of $1,566 – Note 4 (2006 - $1,566) and short-term investments of $1,118 (2006 – accounts receivable $896).

Endowments of $2,034 are held in trust in accordance with the terms of a certain bequest. In 2007, the University has a 10% share in the income distribution from this trust (2006 – 10% share).

14. University of Winnipeg Pension Plan (the Plan)

The Plan was established as a contributory defined benefit pension plan at September 1, 1972. The Plan is registered under the Income Tax Act and the Manitoba Pension Benefits Act (Registration #309914). A Pension Committee oversees the administration of the Plan, monitors investments and makes policy recommendations to the Board of Regents of the University. A trust company holds the assets under a trust agreement and provides daily administration of the Plan. Professional investment managers administer the portfolio.

The Plan covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. Permanent academic employees join the Plan on their date of employment. Permanent non-academic employees may elect to join on their date of employment but must join on their first anniversary date of employment.

At December 31, 2006 the fair value of the Plan's net assets was $139,797 (2005 - $127,055). Under the Plan, contributions are made by Plan members which are matched by the University for the defined contribution members; for defined benefit members, an additional 1% is paid by the University. A member who receives benefits from the long-term disability plan of the University is not required to contribute to the Plan. The annual pension payable to a defined benefit member on retirement is based on the member's final average earnings and years of credited service.

In accordance with the Canadian Institute of Chartered Accountants (CICA) accounting standard for Employee Future Benefits, Section 3461 of the CICA Handbook – Accounting, the University uses a three-month accelerated measurement date for financial reporting purposes. As a result, with respect to the defined benefit segment of the Plan, the reported value of the plan assets and plan obligations are as at December 31, 2006 are $123,236 and $125,951 respectively. The corresponding values for the plan assets and plan obligations at the fiscal year-end, March 31, 2007 are $123,910 and $126,688 respectively.

The University, through a Board of Regents resolution of December 4, 2000, implemented Plan amendment #2001/1 that provided for the creation of a defined contribution segment to the Plan, an initial distribution of surplus equally to Plan members and the University, a further sharing of the remaining surplus to Plan members and the University, and the establishment of a Board of Trustees to operate the Plan at arm's length from the University. Subsequently, investment market conditions led to circumstances where the final distribution to Plan members and the University was not able to proceed.

In April 2003, the University and the Stakeholders who represent the defined benefit segment of the Plan agreed to amend the provisions of the Plan Amendment 2001/1 that had been approved by the Board of Regents in December 2000. All of the provisions of the agreement have been implemented with the exception of the establishment of a Board of Trustees to oversee the administration of the Plan. Discussions are ongoing between the University and the Plan Stakeholders with respect to a transition of the Plan to a Board of Trustees.

Defined Contribution Obligation

The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to the net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

The defined contribution segment of the Plan consists of:

	December 31 2006 $000	December 31 2005 $000
Balance, Beginning of Year	$13,681	$11,049
Contributions	1,870	1,641
Benefit Payments and Expenses	(861)	(420)
Net Investment Return	1,871	1,411
Balance, End of Year	$16,561	$13,681

Defined Benefit Obligation

In accordance with the Pension Benefits Act, an actuarial valuation of the defined benefit segment of the Plan is required at least every 3 years. An actuarial valuation of the Plan was prepared effective December 31, 2004 by Eckler Ltd., a firm of consulting actuaries and this valuation was updated by them to December 31, 2006.

The benefit obligation has been calculated pursuant to CICA Handbook 3461 using a prescribed market-related discount rate. This approach differs from the calculation of the benefit obligation in the Pension Plan financial statements which uses a discount rate based on the expected long-term rate of return consistent with the investment policy of the fund and determined in accordance with accepted actuarial practice.

The financial information is based on the projected financial position of the Defined Benefit Pension Plan as of December 31, 2006, the "measurement date" and updated with employer contributions to the Plan during the three-month period ending March 31, 2007.

Change in Defined Benefit Obligation

	December 31 2006 $000	December 31 2005 $000
Benefit Obligation, January 1	$123,114	$110,756
Current Service Cost	2,922	2,597
Interest Cost	6,056	6,254
Benefits and Refunds Paid	(6,930)	(6,568)
Actuarial Loss	789	10,075
Benefit Obligation, December 31	$125,951	$123,114

Change in Plan Assets

	December 31 2006 $000	December 31 2005 $000
Fair Value of Plan Assets, January 1	$113,374	$104,813
Actual Return on Plan Assets, Net of Expenses	14,072	12,284
Employer Contributions	1,750	1,855
Employee Contributions	970	990
Benefits and Refunds Paid	(6,930)	(6,568)
Fair Value of Plan Assets, December 31	$123,236	$113,374

Reconciliation of Funded Status

	March 31 2007 $000	March 31 2006 $000
Funded Status – (Deficit)	($2,715)	($9,740)
Employer Contributions After December 31	288	297
Unamortized Transitional Asset	(3,644)	(4,100)
Unamortized Net Actuarial Loss	6,448	14,354
Accrued Benefit Asset, Before Valuation Allowance	377	811
Valuation Allowance	(377)	(811)
Accrued Benefit Asset, Net of Valuation Allowance	$0	$0

Components of Pension Expense

	December 31 2006 $000	December 31 2005 $000
Employer Share of Current Service Cost	$1,952	$1,607
Interest Cost	6,056	6,254
Expected Return on Plan Assets	(5,563)	(5,920)
Amortization of Transitional Asset	(456)	(456)
Amortization of Actuarial Loss	186	0
Increase (Decrease) in Valuation Allowance	(434)	362
Net Pension Expense	$1,741	$1,847

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2004, its extrapolation to December 31, 2006 and the 2006 pension expense were:

Discount Rate	- pre and post-retirement	5.00%
Rate of salary increase	- 2006	3.00%
	- thereafter	4.00%

Significant actuarial assumptions used in the determination of the defined benefit obligation at December 31, 2006 were:

Discount Rate	- pre and post-retirement	5.0%
Rate of salary increase	- 2007	4.0%
	- thereafter	4.0%

Funding Obligation

In the event that the actuarial valuation of the Plan determines that the Plan is not fully funded, the University is responsible for providing adequate funding levels in accordance with the *Pension Benefits Act of Manitoba*.

The actuarial valuation at December 31, 2004 reported that the defined benefit segment of the Plan has a solvency deficiency of $15,140.

The University would normally be required under the *Pension Benefits Act* to make additional annual payments of $3,435 over a five year period to retire the solvency deficiency. However, the Provincial Government has provided the University with an amnesty in respect of those payments. Under this amnesty, the Government has, by Order in Council (No.192/2005), made a regulatory change (Special Payments Exemption Regulation 75/2005) (the "Regulation") under the *Pension Benefits Act* that enables the University to elect to defer the annual solvency payments over the next three years, thus providing time for the Government and the University to recommend a resolution to the solvency issue. The University made this election in September 2005.

The Regulation also requires that the going-concern valuation at December 31, 2004 be reported to the Pension Commission using market value for assets and requiring any deficiency in this valuation to be funded over no more than 10 years rather than the normal 15 years. On this basis, the going-concern deficiency at December 31, 2004 is $1,988 and the annual funding payments are $268.

However, on the advice of the Plan Actuary, the University has decided to administer the plan using a smoothing approach to asset value and to fund the resulting deficiency over 15 years. On that basis, the deficiency is $3,746 and the annual funding payments are $386. This smoothing approach, as recommended by the Plan Actuary, was approved by the University's Board of Regents on May 30, 2005. The Regulation specifically permits the University to make funding contributions in excess of the minimum provided.

Because of the going-concern deficiency, the University was also required to make additional contributions of $166 in 2005, $178 in 2006 and $187 in 2007 to cover the current service shortfall.

The University had agreed with stakeholders to make an additional contribution of $600 in 2005 and that contribution was made in July 2005. The contribution was used to cover the going-concern deficiency payment and the current service shortfall for 2005, with the balance being used to partially offset the payments in 2006.

During 2005, amendments were made to the *Pension Benefits Act* which will affect the benefits payable from the Plan. These amendments have yet to be proclaimed and the corresponding regulations have yet to be published but, based on a preliminary interpretation, the Plan's Actuary estimates that these changes will add approximately $1,100 to the actuarial present value of accrued benefits at December 31, 2004 and would increase the minimum annual funding payments to approximately $500.

On December 8, 2006, the Superintendent of Pensions issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount estimated to be $6.2 million plus interest of about $2 million into the Plan for the benefit of Defined Benefit members in relation to the undistributed portion of their proportionate share of the surplus determined by the Plan Actuary in 1999.

The University has appealed the Superintendent's decision to the Pension Commission, and is seeking that the Order be quashed. The appeal proceedings before the Pension Commission have commenced, but the outcome will not be determined for some time. A further appeal lies to the Manitoba Court of Appeal, and the University has taken the position before the Commission, that the Order should be stayed until all legal proceedings are concluded. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the Plan.

15. Commitments

The University has operating lease obligations that cover equipment and building space integral to the University's operations. The lease obligations expire at various dates up to and including May 31, 2016. These lease contracts require annual payments over the next 5 years and thereafter as follows:

	$000
2007/08	$1,771
2008/09	1,095
2009/10	1,009
2010/11	692
2011/12	563
Thereafter	894
	$6,024

16. The University of Winnipeg Foundation

The University's Board of Regents approved the establishment of the University of Winnipeg Foundation in March 2003. The Foundation's vision is to strengthen, deepen and advance the University's mission through the creation of a long-term income stream.

The establishment of the Foundation is based upon mutually binding agreements between the University and the Foundation that provide for the administration of the specified fund, the basis of operation and the relationship between the University and the Foundation, the transfer of endowment funds and the provision of support services by the University to the Foundation.

The agreements with The University of Winnipeg Foundation are as follows:

(a) Coordination, Cooperation and Funding Agreement

The University and the Foundation have jointly agreed that all future fund raising activities directed to the general public shall generally be conducted by the Foundation. However, certain fund raising activities, such as the Wesmen Booster Club and direct gifts to libraries, will continue on an agency basis through the University.

During 2006-2007 budget discussions and as approved by the University's Board of Regents and the Foundation's Board of Directors, the University agreed to increase the annual operating grant to the Foundation to $575 per year. This increase in the operating grant compensates for the declining Specified Fund interest income previously available to the Foundation to assist in funding its operations. However, no formal agreement has been signed to reflect this change.

(b) Occupancy and Support Agreement

This Agreement documents the basis upon which the Foundation occupied space in Wesley Hall and elsewhere on Campus and the Foundation's use of certain existing systems, programs and personnel of the University. The Foundation has agreed to pay the University a fee of $45 per annum for occupancy and support services. The Agreement is effective for an initial term ending March 31, 2004 with an option for automatic renewal for a subsequent 5 year term thereafter.

Based on discussions in June 2006, and the approval of the University's Board of Regents, the University has agreed to waive the occupancy and support costs of $45 per year, relating to modern, occupancy space on the 7th floor of 491 Portage Avenue, for the remaining three years of the agreement commencing April 1, 2007.

(c) Specified Fund Agreement

This Agreement provides for the transfer of the $14,000 Government of Manitoba capital contribution from the University to the Foundation. The Agreement contemplates the disbursement of $14,000 to the University on a scheduled basis, which coincides with proposed capital projects under the Campus Development Plan, including Wesley Hall. The Foundation is entitled to retain any interest/appreciation in capital achieved during the time the Foundation holds the funds.

Based on discussions with the Foundation during the 2006-2007 budget process, and an accelerated draw down schedule provided by the University, the amount of Specified Fund income available to support Foundation operations was reduced from an original budget of $100 to a final budgeted amount of $50 for 2006-2007. For 2006-2007, $175 in interest income was earned on the Specified Fund. Of this amount, $125 was gifted to the University. The Foundation has agreed to continue to transfer excess interest over budget earned on the Specified Fund to the University. This arrangement is not applicable to future provincial grants for the Science Complex and other major capital projects (referred to as Specified Fund II by the Foundation).

(d) Endowment Fund Agreement

The University and the Foundation entered into an Agreement that provided for the transfer of existing endowment funds from the University to the Foundation, with an effective date of April 1, 2004.

This Agreement states that the Foundation will assume responsibility for the Endowment Fund effective April 1, 2004. In accordance with the Endowment Agreement, the Foundation has a commitment to provide the University with an amount equal to the agreed percentage multiplied by the current year's beginning balance of the contributed capital. The agreed percentage is established by the Foundation and the University between September and December of each year.

The University and the Foundation have agreed that the amount will be determined by applying the agreed percentage (4.45% for 2006-2007) to the prior year beginning balance of the contributed capital plus a pro-rated percentage of the agreed percentage for those gifts received in each quarter of the previous year. (ie. ¾ of 4.45% for those gifts received in the first quarter, ½ of 4.45% in the second quarter and ¼ of 4.45% for those gifts received in the third quarter). Based on this formula, the Foundation provided the University with $953 in 2006-2007.

The Foundation is entitled to an annual administration fee equal to ½ of 1% of the Endowment Fund capital of the previous year (or such other higher percentage as the University may agree to from time to time). On November 29, 2004, the University agreed to increase this fee to 2% retroactive to April 1, 2004 for a four-year period, ending March 31, 2008.

The financial information of the Foundation is not consolidated in the University's financial statements and is provided within this note and note 19 on Related Party Transactions. The Foundation is a controlled entity of the University based upon the following factors:

i) The University has representation on the Foundation's Board of Directors and has the authority to approve members at its discretion.

ii) The University has a significant economic interest in the Foundation which conducts its activities for the exclusive benefit of the University.

iii) The Foundation requires the University's consent to amend its by-laws.

iv) The objectives of the Foundation and the University have the common purpose to strengthen, deepen and advance the University's mission.

Financial Position:

The Foundation follows the restricted fund method of accounting for contributions. The Foundation maintains separate funds within its assets and follows the principles of fund accounting to record the day to day transactions.

(AMOUNTS IN THOUSANDS)

The financial position of the Foundation at March 31 is summarized as follows:

	2007 $000	2006 $000
Statement of Financial Position:		
Assets	$41,012	$33,765
Liabilities	1,813	388
Fund Balances:		
Operating Fund	585	463
Unrestricted Fund	14	0
Investment in Capital Assets	52	42
Building and Program Fund	4,303	350
Funds Held Pending Terms of Reference	60	-
Specified Fund	2,465	5,074
Endowment Fund	31,720	27,448
	39,199	33,377
	$41,012	$33,765

	2007 $000	2006 $000
Statement of Operations		
Sources of Funds:		
Transfer from University of Winnipeg	$5,090	$0
Investment Income	2,393	1,997
Unrealized Gain on Investments	880	0
University of Winnipeg Support Funding	575	300
Endowment Administration Fee	549	461
Annual Donations	7,168	5,483
	16,655	8,241
Uses of Funds:		
Capital Programs	7,609	2,926
Endowment - Gifts to the University	953	926
Endowment - Administration Fee	549	461
Endowment - Administration Expenses	92	82
Operations	1,107	1,183
Donations Gifted to the University of Winnipeg	1,551	1,888
	11,861	7,466
Increase in Funds	$4,794	$775

The March 31, 2007 financial information of the Foundation, shown above, reflects the adoption of two new CICA Handbook sections on financial instruments (section 3855 and section 3861). These sections were applied retroactively without restatement of comparative financial information. As a result of the adoption, the Foundation recorded non-cash credit of $1,028 in the endowment fund.

Restrictions are placed upon expenditures within Funds including:

i) The Operating Fund reflects the administrative and overhead costs of undertaking the Foundation's activities.

ii) The Unrestricted Fund records the receipt of donations received in the year that are identified by the donor to go to the area of greatest need.

iii) The Building and Program Fund is specifically intended to record the receipt of all donations intended for University programs and capital projects.

iv) The Specified Fund consists of the initial funding of $14,000 transferred to the Foundation from the University, pursuant to the "Specified Fund Agreement".

v) The Funds held pending Terms of Reference includes donations received for capital gifts, endowment gifts, and other restricted purposes not yet allocated pending donor wishes.

vi) The Endowment Fund reports the receipt of funds established from gifts by donors, which are designated to remain under the Foundation's management in perpetuity for endowment purposes.

In the Coordination Cooperation and Funding Agreement, the University has agreed to provide the Foundation with a $300 per annum operating grant, reducing by $30 per annum commencing in 2010-2011. This funding commitment will end in 2013-2014.

The University is required to make annual payments over the next 5 years and thereafter as follows:

	$000
2007/08	$575
2008/09	300
2009/10	300
2010/11	270
2011/12	240
Thereafter	390
	$2,075

During the budget process in 2006-2007, the University agreed to increase the operating grant from $300 to $575 per annum on a year-to-year basis, subject to the Foundation providing an annual business case to the University to support and verify the use of the increased annual operating grant. However, no formal agreement has been signed to reflect this change.

17. University of Winnipeg Community Renewal Corporation

The University of Winnipeg Community Renewal Corporation ("UWCRC") was incorporated by Articles of Incorporation, without share capital, on April 6, 2005, as a controlled entity of the University. UWCRC's mandate is to support the University by developing a sustainable university community that promotes the attractiveness of the University to its faculty, staff, students, and the greater community. As part of its mandate, UWCRC will manage projects on behalf of the University, including but not limited to, the development of a comprehensive Campus and Community Development Plan, the assessment of particular development projects and the development of partnerships with community, private and public sector organizations.

During the year, the UWCRC entered into agreements with the University to provide consulting services in connection with the following:

a) To assist the University with the design and development of the Science Building Complex on the basis of a per diem fee of $1.

b) To undertake the design and development of the Duckworth Building Complex on behalf of the University based on a performance based fixed price contract. The amount of the consulting fee for services rendered is $212.

c) To manage the University's Student Housing assets and all aspects of the Student Housing Program for a fixed annual fee of $250. In return, the UWCRC contracted back to the University for delivery of the Student Life aspects of the Student Housing Program, which continues to be managed by the University's Student Life Services Department, for a fixed annual fee of $175.

UWCRC holds a 25% investment in the land and building situated at 491 Portage Avenue ("Property") in Winnipeg, Manitoba. It does so by owning all of the shares of 4332181 Manitoba Ltd., which owns 25% of the property and shares of 4306946 Manitoba Ltd. The latter entity holds title to the Property as bare trustee for its shareholders. The Property is a commercial complex comprising an office building, retail stores, a bus depot and a parkade adjacent to the University's main Campus. The University is leasing office space in the Property.

UWCRC records its 25% investment in the Property on an equity basis as a result of significant influence. As of March 31, 2007, no equity income from the Property has been recorded.

As one of the conditions to obtaining financing for the Property, the financing company required that the University take responsibility for assuring that the debt service coverage ratio on the Property did not go below 1.0:1.0; (that is, that the Property would always generate $1.00 in revenue from its tenants for each $1.00 the owners of the Property are required to pay to its lender). If for any reason the Property fell below that ratio, the University would be required to lease space in the property at normal commercial rents, or assure that another tenant is obtained, such that the additional revenue would bring the debt service coverage ratio back to 1.0:1.0.

The financial position of UWCRC at March 31 is summarized as follows:

	2007 $000	2006 $000
Statement of Financial Position:		
Assets:		
Cash	$105	$80
Investment, at Equity	762	700
Other	7	21
	$ 874	$ 801
Liabilities and Net Assets:		
Accounts Payable and Accrued Liabilities	$25	$45
Due to University of Winnipeg (Note 19)	102	132
Net Assets	747	624
	$ 874	$ 801

	2007 $000	2006 $000
Statement of Operations and Changes in Net Assets:		
Revenue		
Operating Grants	$100	$100
Donations	0	700
Consulting	311	0
Net Property Income	25	0
Other	56	5
	492	805
Expenses	429	181
Excess of Revenue over Expenses	63	624
Net Assets – Beginning of Year	624	0
	687	624
Net Assets on Acquisition	60	0
Net Assets – End of Year	$ 747	$ 624

18. Contingencies

a) The University is named as a defendant in litigations where legal action has commenced or is anticipated. While the ultimate outcomes of these proceedings cannot be predicted at this time, management and its legal counsel are of the opinion that, either the outcomes will not have a material effect on the financial position of the University, or the outcomes are not determinable. No provision has been made in the financial statements in respect of these claims, as of March 31, 2007.

b) On December 8, 2006, the Superintendent of Pensions issued an Order requiring the University to develop and implement a written governance framework, and pay a lump sum amount estimated to be $6.2 million plus interest of about $2 million into the Plan for the benefit of Defined Benefit members in relation to the undistributed portion of their proportionate share of the surplus determined by the Plan Actuary in 1999.

The University has appealed the Superintendent's decision to the Pension Commission, and is seeking that the Order be quashed. The appeal proceedings before the Pension Commission have commenced, but the outcome will not be determined for some time. A further appeal lies to the Manitoba Court of Appeal, and the University has taken the position before the Commission, that the Order should be stayed until all legal proceedings are concluded. No payment, pursuant to the Order has been made, and no provision has been made for such future payment in the financial statements of the Plan.

19. Related Party Transactions

The University of Winnipeg Foundation (Foundation) and the University of Winnipeg Community Renewal Corporation (UWCRC) are controlled entities of the University. The University of Winnipeg Pension Plan is also a related party.

The University charges benefit administration costs to the Pension Plan. The charge for 2006-2007 was $55 (2005-2006 - $54). This transaction was measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

During the year ending March 31, the University incurred transactions as follows:

		2007 $000	2006 $000
From the University to the Foundation:			
i)	Operating grant	$575	$300
ii)	Gifts for endowment	$818	$865
iii)	Transfer of Science Complex funding *	$5,000	$0
From the Foundation to the University:			
i)	Annual service fee	$0	$45
ii)	Transfer of specified funds	$2,724	$2,926
iii)	Transfer of annual donations	$1,425	$1,851
iv)	Income allocation	$953	$926
v)	Transfer of Science Complex funding *	$5,000	$0
From the University to UWCRC			
i)	Donations for investment in property (note 17)	$0	$700
ii)	Consulting fees	$309	$0
From UWCRC to the University			
i)	Management fees	$102	$0

* During the year, the University was advanced $5.0 million from the Government of Manitoba to assist in funding the Science Complex Project (see Note 22). The University subsequently paid $5.0 million to the Foundation as part of their Capital Campaign. These funds were subsequently transferred to the University to fund project development costs as well as the purchase of the land. These funds have been recorded as deferred capital contributions.

These transactions are recorded at the exchange amount which is the amount established and agreed to by the related parties.

At the end of the year, the amounts due to and from related parties are as follows:

	2007 $000	2006 $000
Due from Related Parties		
Specified Fund – Foundation	$1,084	$259
Operating – UWCRC	139	132
	1,223	391
Due to Related Party		
Operating – Foundation	179	306
	$179	$306

20. Financial Instruments

a) Fair value

The carrying amounts of short term financial assets and liabilities approximate their fair values due to the short term maturity of these instruments. Short term financial assets are comprised of cash and cash equivalents and accounts receivable. Short term financial liabilities are comprised of accounts payable and accrued liabilities. The fair value of obligations under capital leases and long term liabilities also approximate their carrying value as the rates are consistent with market rates. The fair value of the fixed term instruments included in long term investments approximates its carrying value. The fair value of the properties included in long term investments is not determinable as it is not readily available. The fair value of the investment shares shown in long term investments are not determinable as these shares are not publicly traded and no market price is readily available.

The fair value of the due to (from) related parties is not determinable due to the underlying terms and conditions of these balances.

b) Credit Risk

The University is subject to credit risk through receivables. Receivables are with numerous organizations and individuals which reduces the concentration of credit risk. Reviews are made of the credit worthiness of accounts and reserves established as required.

c) Interest Rate and Foreign Exchange Risk

Interest rates, maturities and security affect the interest rate risk of certain of the University's financial assets and liabilities.

The University is subject to foreign exchange risk because a portion of its financial instruments are denominated in foreign currencies.

The financial risk is the risk to the University's earnings that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates. The University does not use derivative instruments to reduce its exposure to interest rate and foreign exchange risk.

21. Reclassification of Comparative Figures

Certain 2006 comparative figures have been reclassified to conform with the financial statement presentation adopted for 2007.

22. Richardson College for the Environment & Science Complex

The University has commenced the development and design of the Richardson College for the Environment and Science Complex to be completed in September 2009. The University signed a Definitive Agreement with Laureate Developments Inc. (the Developer) to assemble and transfer lands to the University that will become the site for the University's Science Complex, develop and build the Science Building Complex for the University on a turnkey basis and assist the University in attracting partners to the project for the purposes of fund-raising.

The University has received a commitment from the Provincial Government to provide funding of $25,000 to contribute to the funding of the Science Building Complex. In February 2007, the University received an initial payment of $5,000 from the Provincial Government. The advance has been recorded as a deferred capital contribution. The advance is secured by a promissory note payable to the Province of Manitoba in the amount of $5,000 bearing interest at 5.15% repayable over a term of 40 years with funding from the Province of Manitoba.

The first $10,000 will be unconditionally advanced to the University. The remaining $15,000 will be advanced to the University on the basis of $1.00 advance for every $2.00 raised on the University of Winnipeg Foundation's Capital Campaign.

23. Subsequent Events

On June 15, 2007, the University received a payment of $5,310, representing a second advance from the Provincial Government on the $25,000 capital grant for the Science Complex. Total advances at June 15, 2007, amount to $10,310.

The University advanced funds to the developer towards the assembly and purchase of the land upon which the Science Complex will be built. The payments, in April 2007 and June 2007, amounted to $2,515 and $780 respectively, representing advances towards completion of the acquisition of the land. In return, the University received a first mortgage on all land that had been purchased and an assignment of purchase agreements on parcels of land that are scheduled to close in June 2007.

On June 29, 2007, the University completed the acquisition of the land for the Science Building Complex. The purchase price of the land totalled $5,400. As a condition of closing, the University undertook to release all security received on initial advances of $2,515 and $780.

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Directors of
Venture Manitoba Tours Ltd.

We have audited the balance sheet of Venture Manitoba Tours Ltd. as at March 31, 2007 and the statements of operations and deficit and cash flow for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

May 14, 2007 CHARTERED ACCOUNTANTS

1810 - 444 St. Mary Avenue · Winnipeg, Manitoba · R3C 3T1 · Phone (204) 942-4441 · Fax (204) 944-0400

VENTURE MANITOBA TOURS LTD.

BALANCE SHEET

MARCH 31, 2007

	2007	2006
ASSETS		
CURRENT ASSETS		
Cash	$ 83,030	$ -
Accounts receivable	2,403	11,445
Inventories	36,710	36,366
Prepaid expenses	5,950	6,840
	128,093	54,651
PROPERTY AND EQUIPMENT (Note 4)	636,486	1,165,125
	$ 764,579	$ 1,219,776
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness	$ -	$ 43,719
Accounts payable and accrued liabilities	927,442	954,628
Advance deposits	21,058	21,226
Current portion of long term debt (Note 5)	-	8,662
Current portion of capital lease obligation	-	162,000
Advances from the Province of Manitoba, repayable on demand	250,000	250,000
	1,198,500	1,440,235
LONG TERM DEBT (Note 5)	-	-
CAPITAL LEASE OBLIGATION	-	334,302
	1,198,500	1,774,537
SHAREHOLDERS' DEFICIT		
CAPITAL STOCK (Note 6)	3,643,500	3,643,500
CONTRIBUTED SURPLUS	257,910	257,910
(DEFICIT)	(4,335,331)	(4,456,171)
	(433,921)	(554,761)
Basis of presentation (Note 2)		
Commitments (Note 7)		
	$ 764,579	$ 1,219,776

APPROVED ON BEHALF OF THE BOARD:

______________________________ Director

______________________________ Director

VENTURE MANITOBA TOURS LTD.
STATEMENT OF OPERATIONS AND DEFICIT
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
SALES	$ 1,352,091	$ 1,106,316
COST OF SALES	942,751	789,126
CONTRIBUTION MARGIN	409,340	317,190
OPERATING EXPENSES (Schedule A)	198,614	120,348
INCOME BEFORE THE FOLLOWING	210,726	196,842
OTHER (EXPENSE) INCOME		
Amortization	(114,209)	(198,095)
Interest	(655)	(65,906)
Gain on disposal of property and equipment	24,978	13,350
	(89,886)	(250,651)
NET INCOME (LOSS) BEFORE THE FOLLOWING	120,840	(53,809)
NET (LOSS) FROM DISCONTINUED OPERATIONS (Schedule B)	-	(5,315,686)
GAIN ON SETTLEMENT OF BANK LOAN BY GUARANTOR	-	10,067,889
NET INCOME FOR THE YEAR	120,840	4,698,394
(DEFICIT), beginning of year	(4,456,171)	(9,154,565)
(DEFICIT), end of year	$(4,335,331)	$(4,456,171)

VENTURE MANITOBA TOURS LTD.
STATEMENT OF CASH FLOW
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Cash receipts from customers	$ 1,360,965	$ 3,481,682
Cash paid to suppliers and employees	(1,168,005)	(3,478,102)
Interest paid	(655)	(477,590)
	192,305	(474,010)
FINANCING ACTIVITIES		
Additional bank borrowings	-	817,889
Repayment of long term debt	(8,662)	(18,396)
Repayment of capital lease obligation	-	(158,187)
	(8,662)	641,306
INVESTING ACTIVITIES		
Purchases of property and equipment	(81,394)	(280,542)
Proceeds on disposal of property and equipment	24,500	74,950
	(56,894)	(205,592)
CHANGE IN CASH	126,749	(38,296)
(BANK INDEBTEDNESS), beginning of year	(43,719)	(5,423)
CASH (BANK INDEBTEDNESS), end of year	$ 83,030	$ (43,719)

1. ORGANIZATION

The company is incorporated under the Manitoba Corporations Act. The issued shares are owned by the Province of Manitoba.

The Province of Manitoba owned Hecla Golf Course and the Gull Harbour Resort and Conference Centre (collectively the "Hecla Resort"). The company operated these facilities under lease agreements with the Province which were terminated on November 1, 2005. These facilities are situated in the Hecla Provincial Park.

The Province of Manitoba owns the Falcon Lake Golf Course and Games Area. The company operates this facility under a lease agreement with the Province of Manitoba. The company is responsible for the operating costs of the golf course and games area and, in return, is authorized to realize the revenue generated by their operations. These facilities are situated in the Whiteshell Provincial Park and are not subject to realty taxes.

The company is not subject to income tax.

2. BASIS OF PRESENTATION

These financial statements have been prepared using the assumption that the company will continue operating as a going concern. As the company has incurred substantial losses resulting in a significant deficit and working capital deficiency, the ability of the company to continue operating as a going concern is dependent on continued financial support from the Province of Manitoba. Should the Province not continue to provide financial support, the company may not be able to continue operating as a going concern and the net realizable value of the assets may be substantially less than their carrying values.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies.

(a) Inventories

Inventories are valued at the lower of cost (based on the first-in, first-out method) and net realizable value.

(b) Property and equipment

Property and equipment are recorded at cost less applied grant funds and are amortized over their estimated useful lives based on the straight-line method as follows:

Staff quarters	10 to 25 years
Golf course improvements	10 to 40 years
Computer equipment	3 years
Vehicles	3 years
Equipment under capital lease	5 years

These financial statements do not include the property and equipment of the Falcon Lake Golf Course and Games Area which are owned by the Province of Manitoba.

(c) Non-monetary transactions

Non-monetary exchanges of services are recorded at the fair market value of the services provided or received.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue recognition

The company recognizes revenue when the goods are received by the customer and the services are provided.

(e) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Staff quarters	$ 102,395	$ 40,938	$ 61,457	$ 65,553
Golf course improvements	554,833	108,172	446,661	446,654
Computer equipment	59,225	59,225	-	-
Vehicles	820,641	692,273	128,368	157,094
Equipment under capital lease	-	-	-	495,824
	$ 1,537,094	$ 900,608	$ 636,486	$ 1,165,125

5. LONG TERM DEBT

	2007	2006
Loan payable, GMAC - repayable in monthly installments of $866, non-interest bearing, due January 2007, secured by specified equipment	$ -	$ 8,662
Less: Current portion	-	8,662
	$ -	$ -

6. CAPITAL STOCK

Authorized
Unlimited Common shares

	2007	2006
Issued 3,643,500 Common shares	$ 3,643,500	$ 3,643,500

7. COMMITMENTS

(a) The company operates the Falcon Lake Golf Course and Games Area under lease agreements with the Province of Manitoba. During the year lease payments of $109,455 (2006 - $124,013) required under the leases were not made to the Province of Manitoba. The balance of accounts payable at year end includes $870,272 (2006 - $760,817) in unpaid amounts relating to the lease agreements with the Province.

(b) The company rents space and equipment under various operating leases which expire through 2009.

The future minimum lease payments required under these operating leases for the remaining lease terms are approximately as follows:

Year	Amount
2008	$ 95,900
2009	87,100
	$ 183,000

8. GOVERNMENT REPORTING ENTITY - RELATED PARTIES

The following information is presented in accordance with a request by the Minister of Finance of The Government of the Province of Manitoba.

As at March 31, 2007, the company had the following balances with entities in the Government Reporting Entity:

	2007	2006
Payable to:		
Manitoba Hydro	$ 1,808	$ 1,100
Department of Conservation	870,272	760,817
	$ 872,080	$ 761,917

9. FINANCIAL INSTRUMENTS

Cash, accounts receivable, accounts payable and accrued liabilities and advance deposits approximate their fair value due to their short term nature. The fair value of advances from the Province of Manitoba cannot be determined due to the underlying repayment terms and the lack of a secondary market.

Unless otherwise stated, it is management's opinion that the company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

VENTURE MANITOBA TOURS LTD.

SCHEDULE A

SCHEDULE OF OPERATING EXPENSES
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
Advertising	$ -	$ 3,515
Automobile	7,143	1,554
Credit card discount	14,520	5,632
Directors' fees	16,257	3,592
Equipment rentals	6,741	2,614
Insurance and leases	9,853	8,567
Membership fees	4,040	779
Miscellaneous	1,856	33
Printing and stationery	847	552
Professional fees	36,041	11,983
Repairs and maintenance	10,422	4,456
Sales office rent	5,068	952
Staff training and meals	10,097	5,809
Telephone and postage	3,742	2,091
Transportation	4,248	2,851
Utilities	5,514	4,270
Wages and benefits	62,225	61,098
	$ 198,614	$ 120,348

VENTURE MANITOBA TOURS LTD.

SCHEDULE B

SCHEDULE OF DISCONTINUED OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
SALES	$ -	$ 2,418,440
COST OF SALES	-	1,714,648
CONTRIBUTION MARGIN	-	703,792
OPERATING EXPENSES		
Advertising	-	19,916
Amortization	-	313,114
Automobile	-	16,149
Consulting fees	-	200,000
Credit card discount	-	31,913
Directors' fees	-	20,355
Equipment rentals	-	14,811
Equipment and supplies	-	5,435
Loss on disposal of property and equipment	-	4,074,309
Insurance and leases	-	58,462
Interest on bank loan	-	411,684
Membership fees	-	4,415
Miscellaneous	-	189
Printing and stationery	-	3,131
Professional fees	-	67,906
Repairs and maintenance	-	12,344
Sales office rent	-	5,396
Staff training and meals	-	39,281
Telephone and postage	-	11,992
Transportation	-	43,926
Utilities	-	119,912
Wages and benefits	-	411,678
	-	5,886,318
NET LOSS BEFORE THE FOLLOWING	-	(5,182,526)
LOSS ON TERMINATION OF GOLF CART LEASE	-	(133,160)
NET LOSS FOR THE YEAR FROM DISCONTINUED OPERATIONS	$ -	$(5,315,686)

GOVERNMENT ENTERPRISES

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements are the responsibility of management and have been prepared in accordance with Canadian generally accepted accounting principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate and that the assets of the Corporation are safeguarded.

The Board of Directors is responsible for the review and approval of all financial statements and for overseeing management's performance of its financial reporting responsibilities.

Linda McFadyen
Chairperson

General Manager

August 17, 2007

HAUGEN MORRISH ANGERS
CHARTERED ACCOUNTANTS

■ 1808 - 330 Portage Avenue
Winnipeg, Manitoba R3C 0C4
■ Tel: (204) 989-2229
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1-866-730-4777
■ E-mail: info@hmaca.com

AUDITORS' REPORT

To The Office of the Auditor General

We have audited the balance sheet of Leaf Rapids Town Properties Ltd. as at March 31, 2007 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

CHARTERED ACCOUNTANTS

Winnipeg, Manitoba
August 17, 2007

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 1

BALANCE SHEET

MARCH 31

	2007	2006
ASSETS		
CURRENT		
Cash and short term deposits	$ 361,026	$ 656,889
Accounts receivable	31,904	8,093
GST receivable	1,583	2,887
Prepaid expenses	26,818	16,869
	421,331	684,738
DEVELOPED LOTS HELD FOR RESALE *(Note 2(c))*	1	1
NOTE RECEIVABLE *(Note 4)*	1	1
CAPITAL ASSETS *(Note 2(b), 5)*	1	1
	$ 421,334	$ 684,741
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	$ 75,260	$ 62,363
Corporation capital tax payable	938	1,167
Deferred revenue	6,061	4,047
	82,259	67,577
LONG TERM DEBT *(Note 6)*	1,498,577	1,498,577
	1,580,836	1,566,154
SHAREHOLDER'S DEFICIT		
SHARE CAPITAL *(Note 7)*	2,621,100	2,621,100
DEFICIT	(3,780,602)	(3,502,513)
	(1,159,502)	(881,413)
	$ 421,334	$ 684,741

Approved on behalf of the Board

L. McFadyen

Director

Director

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 2

STATEMENT OF LOSS AND DEFICIT

YEAR ENDED MARCH 31

	2007	2006
REVENUE		
Rentals	$ 425,455	$ 407,348
Cost recoveries	2,471	8,166
Administrative expenses paid for by the Province of Manitoba *(Note 2(d))*	71,450	58,260
	499,376	473,774
EXPENSES		
Administrative expenses *(Note 2(d))*	71,450	58,260
Bad debts (recoveries)	563	(101,929)
Casual wages	3,056	
Insurance	58,717	59,803
Janitorial	111,993	111,688
Penalties and interest	156	
Professional fees	14,185	30,683
Property improvements	81,596	4,366
Property taxes	118,066	111,972
Repairs and maintenance	75,911	77,723
Salaries and benefits		29,179
Snow removal	10,930	8,322
Sundry	2,678	797
Supplies and office	5,760	10,810
Suwannee Way assistance	31,200	
Telephone	3,802	3,768
Utilities	112,001	96,799
Vehicle and travel	6,817	8,344
Whitewater inn	107,294	225,037
Winnipeg office	-	5,571
	816,175	741,193
OTHER REVENUE (EXPENSES)		
Corporation capital tax	(938)	(1,534)
Interest earned *(Note 8)*	14,837	14,966
	13,899	13,432
LOSS BEFORE GAIN FROM PRIOR WRITE DOWN OF ASSETS	(302,900)	(253,987)
Gain from prior write down of note receivable *(Note 4)*	11,945	11,945
Gain from prior write down of prepaid expenses *(Note 10)*	12,866	-
	24,811	11,945
NET LOSS FOR YEAR	(278,089)	(242,042)
DEFICIT, *beginning of year*	(3,502,513)	(3,260,471)
DEFICIT, *end of year*	$(3,780,602)	$(3,502,513)

LEAF RAPIDS TOWN PROPERTIES LTD.

STATEMENT 3

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31

	2007	2006
CASH FLOW FROM		
OPERATING ACTIVITIES		
Net loss	$(278,089)	$(242,042)
Net change in non-cash working capital:		
Accounts receivable	(23,811)	24,899
GST receivable	1,304	(2,802)
Prepaid expenses	(9,949)	(304)
Accounts payable and accrued liabilities	12,897	3,210
Corporation capital tax payable	(229)	1,532
Deferred revenue	2,014	(1,048)
	(17,774)	25,487
NET DECREASE IN CASH DURING YEAR	(295,863)	(216,555)
CASH, *beginning of year*	656,889	873,444
CASH, *end of year*	$ 361,026	$ 656,889

	2007	2006
CASH COMPRISED OF		
Cash	$ 169,554	$ 181,218
Short term investments	191,472	475,671
	$ 361,026	$ 656,889

1. NATURE OF OPERATIONS

Leaf Rapids Town Properties Ltd. was incorporated in 1971 under The Manitoba Companies Act. It was charged with the responsibility for the planning, design and development of the community of Leaf Rapids. Since the completion of the development, the Corporation has managed, leased and operated its physical assets and properties in Leaf Rapids.

2. SIGNIFICANT ACCOUNTING POLICIES

The Corporation's financial statements have been prepared using Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(a) Management Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the period in which they became known.

(b) Capital Assets

Capital assets are stated at cost, less accumulated amortization and write downs. Certain capital assets were written down in 2000 to their net realizable value. As well, in 2002, land, buildings and equipment were written down to reflect the reduction in their useful lives as explained in note 10. Accordingly, there is no amortization for 2007.

(c) Developed Lots

Developed lots held for resale were written down, in a previous year, to a nominal value of $1. Property taxes and any other related costs are charged to operations.

(d) Administrative Support

The Government of the Province of Manitoba provides the services of support staff, other administrative support services, office space and utilities. The cost of the services of support staff are estimated and included in the financial statements.

(e) Income Taxes

These financial statements do not reflect any provision for corporation income taxes as the corporation considers itself to be exempt from tax under Section 149(1)(d) of the Income Tax Act, Canada.

3. GOING CONCERN

The accompanying financial statements have been prepared on the going concern assumption that the Corporation will be able to realize its assets and discharge its liabilities in the normal course of business. Revenues have continued to drop since the closure of the Ruttan Mine in May, 2002 and as a result the Corporation is undergoing severe cash flow problems. The Corporation is currently reviewing their financial position and the long term plans for the Corporation.

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4. NOTE RECEIVABLE

In 2001, the Corporation provided financing to the Leaf Rapids Community Development Corporation for the renovations to the dental clinic. Effective March 31, 2002, the terms of the repayment were renegotiated. The note receivable was written down in 2002 by $49,687 to reflect the uncertainty regarding the ultimate collection due to the mine closure, as explained in note 10. The Corporation continued to collect based on the terms shown below, for the past fiscal year. As such the 2002 write down has been adjusted as of March 31, 2007 to reflect the outstanding balance of $1,907. This adjustment is reflected as a gain from prior write down on the statement of loss and deficit.

	2007	2006
Note receivable, non-interest bearing, repayable in monthly installments of $995, due May, 2007	$ 1	$ 1

5. CAPITAL ASSETS

	Cost	Accumulated Write Down	Accumulated Amortization	Net Book Value 2007	Net Book Value 2006
Commercial Properties					
Land	$ 478,766	$ 478,765	$	$ 1	$ 1
Building	1,627,110	561,919	1,065,191		
Equipment	14,246	4,110	10,136		
Non-Commercial Properties					
Land	414,692	414,692			
Building	4,701,479		4,701,479		
Other Property					
Land	82,301	82,301			
Building	857,752	321,652	536,100		
Equipment	201,311	60,217	141,094	-	-
	$ 8,377,657	$ 1,923,656	$ 6,454,000	$ 1	$ 1

6. LONG TERM DEBT

Long term debt payable to the Province of Manitoba consists of $1,498,577 in 10% income debentures, secured by a floating charge on all assets of the corporation. Annual installments against this debt are determined based on one-half of the prior year's cash flow from operations. Cash flow is defined as net income from operations, plus amortization expense, less the installment amount paid in the year.

Interest expense is recorded as an accrual each year, based on the required annual installment that becomes due and payable subsequent to each fiscal year. If the required annual installment exceeds 10% of the outstanding long term debt, the amount of the required annual installment in excess of 10% of the outstanding long term debt is applied against the outstanding long term debt principal and the remainder is recorded as interest expense. If the required annual installment is less than 10% of the outstanding long term debt, the full amount of the installment is recorded as interest expense. The difference between that recorded interest expense and 10% of the long term debt is not recorded and is non-cumulative. For the year ended March 31, 2007, the accrued interest expense amounted to $0.00. The difference between the interest expense of $0.00 and 10% of the long term debt is $149,858.

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7. SHARE CAPITAL

	2007	2006
Authorized -		
40,000 common shares, not to exceed $40,000		
26,210 8.15% non-cumulative, redeemable, preferred voting shares, not to exceed $2,621,000 with a redemption price of $100 per share		
Issued and fully paid -		
100 common shares	$ 100	$ 100
26,210 preferred shares	2,621,000	2,621,000
	$ 2,621,100	$ 2,621,100

Ownership: All issued shares are held by the Minister of Finance of the Province of Manitoba.

8. INTEREST

	2007	2006
Interest earned on short term deposits held by the Province of Manitoba	$ 14,837	$ 14,966

9. RELATED PARTY TRANSACTIONS

As stated in note 7, all issued shares of the Corporation are held by the Minister of Finance of the Province of Manitoba. In addition, the long term debt and related interest described in note 6 are payable to the Province of Manitoba. The interest income described in note 8 is earned on short term deposits held by the Province of Manitoba. The Corporation also has the following balances with the Province of Manitoba and its agencies reflected in these financial statements as at March 31, 2007. These transactions and balances are in the normal course of operations and are measured at the exchange amount agreed to by the related parties.

	2007	2006
Short term deposits	$ 191,472	$ 475,671
Accounts receivable	$ 839	$ 2,377
Accounts payable	$ 31,391	$ 21,621

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10. WRITE DOWN OF ASSETS TO NET REALIZABLE VALUE

The viability of the Corporation was dependent on the ongoing successful operation of the Ruttan Mine. Based on information known in 2000, existing ore reserves were expected to continue for another four years. Accordingly, in 2000, management wrote down certain capital assets to reflect this uncertainty. In 2000, the Corporation determined the net realizable value of the Town Centre land to be $100,000, the equivalent of the maximum price it would receive should it sell the land. Accordingly in 2000, the Town Centre land was written down by $123,996. The industrial park land, the mobile home park land, the Town Centre buildings and the commercial buildings were written down in 2000 to estimated future cash flows from operations. The cost of these assets was written down in 2000 by $1,064,414.

On October 29, 2001, the owner of the Ruttan Mine announced that it would be shutting down the mine in May, 2002. A number of alternatives are currently being reviewed by the Town of Leaf Rapids for the utilization of the mine and/or the utilization of available housing in the Town. The ongoing viability of the Corporation will depend on the outcome of the implementation of the alternatives currently being reviewed.

In 2002, the cost of land, buildings and equipment has been written down by $320,554 to reflect the reduction in their useful lives due to the closing of the Ruttan Mine. As well, due to the mine closure and the effect on the economy of Leaf Rapids, the following allowances and asset write downs, totaling $112,513 have been made as of March 31, 2007:

a) the allowance for doubtful accounts receivable balance as of March 31, 2007 is $81,411 to reflect the uncertainty of the ultimate collection of the accounts receivable;

b) the carrying values of prepaid expenses and maintenance inventory were written down by $11,500 and $19,602 respectively to reflect the uncertainty regarding the future benefit of these assets.

11. COMPARATIVE FIGURES

Certain prior year's comparative amounts have been reclassified where necessary to conform to the current year's presentation.

12. FINANCIAL INSTRUMENTS

a) Credit Risk

The Corporation is exposed to credit risk on the accounts receivable from its customers. An allowance for doubtful accounts has been established by the Corporation, based upon factors surrounding the credit risk of specific customers, historical records and other information.

b) Fair Value

Due to the short term nature of all financial instruments, other than long term debt, the carrying values as presented in the financial statements are reasonable estimates of fair value. As is true for all estimates, actual fair value could differ from this estimate and, if so, any differences would be accounted for in the period in which it becomes known. For long term debt, it is not practical within constraints of timeliness or cost to determine the fair value with sufficient reliability because the instruments are not traded in an organized financial market.

MANAGEMENT REPORT

MARCH 31, 2007

The accompanying financial statements are the responsibility of Management and have been prepared in accordance with the accounting policies disclosed in Note 2. In Management's opinion, the financial statements have been properly prepared and of necessity, include some amounts based upon Management's best estimates and judgements.

As Management is responsible for the integrity of the financial statements, Management has established systems of internal control to provide assurance that assets are properly accounted for and safeguarded from loss.

DON LUSSIER
President & Chief Executive Officer

Ingrid Loewen

INGRID LOEWEN
Chief Financial Officer

AUDITOR'S REPORT

MARCH 31, 2007

To the Board of Commissioners
The Liquor Control Commission

We have audited the balance sheet of **The Liquor Control Commission** [an Agency of the Government of the Province of Manitoba] as at March 31, 2007 and the statements of income and cash flows for the year then ended. These financial statements are the responsibility of The Liquor Control Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of The Liquor Control Commission as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada
May 11, 2007

STATEMENT OF INCOME [000'S]

YEAR ENDED MARCH 31

	2007	2006
	$	$
Sales *[see Schedule of Sales, Cost of Sales and Gross Profit]*	**521,380**	486,734
Cost of sales *[see Schedule of Sales, Cost of Sales and Gross Profit]*	**261,558**	243,208
Gross profit	**259,822**	243,526
Other income *[note 4]*	**4,639**	5,439
	264,461	248,965
General and administrative expenses *[note 5]*	**53,934**	50,279
Depreciation *[note 2]*	**2,583**	2,448
Net profit paid or payable to the Province of Manitoba	**207,944**	196,238

See accompanying notes to the financial statements.

BALANCE SHEET [000'S]

AS AT MARCH 31

	2007 $	2006 $
ASSETS		
Current		
Cash	**7,143**	7,177
Accounts receivable	**19,722**	18,415
Inventory *[note 3]*	**26,953**	23,825
Prepaid expenses and supplies	**999**	907
Total current assets	**54,817**	50,324
Property and equipment *[note 6]*	**14,643**	12,616
Long-term loan receivable – Province of Manitoba *[notes 7 and 8]*	**45,271**	45,271
	114,731	108,211
LIABILITIES		
Current		
Accounts payable – trade and other	**32,900**	31,395
Goods and Services Tax payable	**2,179**	1,308
Manitoba Retail Sales Tax payable	**1,304**	1,192
Net profit payable to the Province of Manitoba	**24,644**	22,438
Environmental Protection Tax payable	**133**	129
Deferred licence fees	**352**	606
Total current liabilities	**61,512**	57,068
Provision for employee pension benefits *[note 7]*	**48,844**	47,025
Provision for retirement allowances *[note 8]*	**4,375**	4,118
	114,731	108,211

See accompanying notes to the financial statements.

On behalf of the Commission:

Chair of the Board

Chair of the Audit Committee

President and Chief Executive Officer

Ingrid Loewen

Chief Financial Officer

STATEMENT OF CASH FLOWS [000'S]

YEAR ENDED MARCH 31

	2007 $	2006 $
OPERATING ACTIVITIES		
Cash receipts		
Sales – spirits, wine, coolers/ciders and beer	**520,561**	479,380
Annual and supplementary licence fees and other	**4,194**	5,516
Goods and Services Tax	**33,044**	34,616
Manitoba Retail Sales Tax	**17,063**	15,839
Manitoba Waste Reduction and Prevention Levy	**467**	450
Environmental Protection Tax	**1,868**	1,796
	577,197	537,597
Cash disbursements		
Purchases – merchandise, federal duty, excise and sales taxes, etc.	**264,706**	238,261
General and administrative expenses	**50,754**	52,719
Goods and Services Tax	**32,173**	34,594
Manitoba Retail Sales Tax	**16,950**	15,743
Manitoba Waste Reduction and Prevention Levy	**467**	449
Environmental Protection Tax	**1,864**	1,792
	366,914	343,558
Net cash available from operating activities	**210,283**	194,039
INVESTING ACTIVITIES		
Acquisition of property and equipment	**(4,579)**	(3,398)
Net cash available for transfer	**205,704**	190,641
TRANSFERS TO PROVINCE OF MANITOBA		
Current year's net profit	**183,300**	173,800
Prior year's net profit	**22,438**	18,187
	205,738	191,987
Deficiency of cash receipts over disbursements and transfers	**(34)**	(1,346)
Cash and cash equivalents, beginning of year	**7,177**	8,523
Cash and cash equivalents, end of year	**7,143**	7,177

See accompanying notes to the financial statements.

SCHEDULE OF SALES, COST OF SALES AND GROSS PROFIT [000'S]

YEAR ENDED MARCH 31

	Spirits $	Wine $	Coolers/ Ciders $	Beer $	Total $
SALES					
Stores	**128,085**	**71,055**	**10,477**	**34,075**	**243,692**
Liquor vendors	**32,129**	**8,349**	**3,460**	**5,154**	**49,092**
Licensees	**18,671**	**4,831**	**2,110**	**190,439**	**216,051**
Specialty wine stores	**44**	**12,436**	**65**	**—**	**12,545**
Total sales for 2007	**178,929**	**96,671**	**16,112**	**229,668**	**521,380**
Total sales for 2006	169,697	86,817	15,344	214,876	486,734
COST OF SALES					
Total cost of sales for 2007	**70,157**	**43,540**	**7,529**	**140,332**	**261,558**
Total cost of sales for 2006	66,646	39,463	7,224	129,875	243,208
Gross profit for 2007	**108,772**	**53,131**	**8,583**	**89,336**	**259,822**
Gross profit for 2006	103,051	47,354	8,120	85,001	243,526

See accompanying notes to the financial statements.

NOTES TO FINANCIAL STATEMENTS [000'S]

MARCH 31, 2007

1. NATURE OF ORGANIZATION

The Liquor Control Commission [the "MLCC"] was formed in 1923 as an agency of the Government of Manitoba under *The Liquor Control Act*. The MLCC's mandate is to purchase, sell and regulate alcoholic beverages; to determine locations for retail liquor outlets; to licence and regulate facilities used by the consuming public; to provide revenue to the Province from the activities of the MLCC; and to do all such things necessary to effect the provisions of *The Liquor Control Act*.

2. SIGNIFICANT ACCOUNTING POLICIES

[a] Cash includes cash on hand, balances with banks and outstanding electronic fund transactions forwarded to banks.

[b] Accounts receivable includes electronic fund transactions to be forwarded to banks after March 31.

[c] Inventories of goods for resale are valued at average cost.

[d] Revenue is recognized at the time the product is shipped, title passes, the sales price is fixed and determinable, and collectibility is reasonably assured.

[e] The property and equipment are recorded at cost less accumulated depreciation. Depreciation is provided on the declining balance basis at the following annual rates:

Automobiles	30%
Equipment and furnishings	20%
Paving	8%
Systems development	30%

Leasehold improvements are depreciated on a straight-line basis over the remaining term of the lease or a minimum of five years.

[f] Substantially all of the employees of the MLCC are eligible for pension benefits based on length of service and average annualized earnings calculated on the best five years prior to retirement, termination, or death that provides the highest earnings. Pension costs, included in salaries, benefits and pension costs, consist of the employer's share of pension benefits paid to retired employees, as well as the increase in unfunded pension liabilities during the fiscal year. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary as detailed in note 7.

Actuarial gains and losses are recognized in income immediately as detailed in note 7.

[g] The MLCC's financial instruments consist of cash, accounts receivable, long-term loan receivable – Province of Manitoba, net profit payable to the Province of Manitoba, accounts payable, other taxes payable and non-interest bearing working capital advance provided by the Province of Manitoba. It is management's opinion that the MLCC is not exposed to significant interest, currency, or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values.

[h] In preparing the MLCC's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

3. INVENTORY

	2007 **$**	2006 $
Warehouse inventory	**17,919**	15,768
Stores inventory	**9,034**	8,057
	26,953	23,825

The amount of unpaid and unrecorded Customs and Excise duties on owned merchandise held in bond is approximately $3,385 at March 31, 2007 [2006 – $3,293].

4. OTHER INCOME

	2007 **$**	2006 $
Supplementary licence fees	**788**	743
Advertising revenue – other	**733**	505
AIR MILES® revenue	**663**	578
Annual licence fees and licence application fees	**599**	598
Occasional permit additional fees	**581**	579
Miscellaneous	**569**	1,885
Occasional permit fees	**240**	243
Administration charges	**222**	206
Border point fees	**221**	79
Specialty wine store fees	**23**	23
	4,639	5,439

5. GENERAL AND ADMINISTRATIVE EXPENSES

	2007 **$**	2006 $
Salaries, benefits and pension costs	**33,824**	30,850
Leased premises – rentals *[note 9]*	**5,415**	5,086
Maintenance and repairs	**2,106**	2,271
Delivery charges	**1,504**	1,376
Bank charges	**1,356**	1,216
Utilities	**1,291**	1,262
Equipment rentals *[note 9]*	**1,113**	1,121
AIR MILES® program	**991**	867
Printing, postage and supplies	**789**	759
Professional fees	**608**	603
Grants in lieu of taxes	**603**	603
Alcohol education	**563**	536
Health and Post Secondary Education Tax levy	**551**	511
Miscellaneous	**507**	504
Protective services	**500**	472
Sponsorships	**480**	663
Advertising and promotions	**463**	386
Staff training	**457**	439
Travel	**325**	269
Vehicle expenses	**205**	192
Communications	**122**	138
Crown Corporations Council levy	**84**	82
Product analysis	**77**	73
	53,934	50,279

6. ACCUMULATED DEPRECIATION/PROPERTY AND EQUIPMENT

	2007		
	Cost	**Accumulated depreciation**	**Net book value**
	$	**$**	**$**
Leasehold improvements	**12,203**	**3,720**	**8,483**
Systems development	**9,706**	**7,043**	**2,663**
Equipment and furnishings	**7,108**	**4,128**	**2,980**
Automobiles	**635**	**338**	**297**
Paving	**338**	**118**	**220**
	29,990	**15,347**	**14,643**

	2006		
	Cost	Accumulated depreciation	Net book value
	$	$	$
Leasehold improvements	9,426	2,891	6,535
Systems development	9,076	6,036	3,040
Equipment and furnishings	6,084	3,536	2,548
Automobiles	589	296	293
Paving	300	100	200
	25,475	12,859	12,616

7. PROVISION FOR EMPLOYEE PENSION BENEFITS

The MLCC maintains a defined benefit pension plan in accordance with the provision of *The Civil Service Superannuation Act* administered by the Civil Service Superannuation Board. An actuarial valuation of the provision for employee pension benefits was conducted by Ellement & Ellement Ltd. Consulting Actuaries as at December 31, 2004. The service to date projected benefit method was used and the liabilities have been extrapolated to March 31, 2007 using a formula provided by the actuary.

	2007	2006
	$	$
Accrued benefit liability, beginning of year	**47,025**	45,044
Actual gain based on 2004 actuarial report	**—**	(150)
Benefits accrued	**1,434**	1,341
Interest accrued on benefits	**3,289**	3,140
Benefits paid	**(2,765)**	(2,276)
Manitoba Finance matching pension contributions	**(139)**	(74)
Accrued benefit liability, end of year	**48,844**	47,025
Pension expense	**4,723**	4,481
Employee contributions	**1,326**	1,240
Employer contributions	**2,904**	2,350

The pension expense consists of benefits accrued of $1,434 [2006 – $1,341] and interest accrued on benefits of $3,289 [2006 – $3,140].

The key actuarial assumptions used in determining the MLCC's provision for employee pension benefits were at the following weighted average rates:

	As at March 31	
	2007	2006
	%	%
Rate of return	**6.50**	6.50
Inflation	**2.50**	2.50
Salary rate increases	**4.25**	4.25

In addition, post retirement indexing is at two-thirds of the inflation rate.

The amount of the long-term provision for employee pension benefits of $40,731 as at March 31, 2003, is included as part of long-term loan receivable – Province of Manitoba. There are no conditions or terms for collection of this non-interest bearing loan receivable.

8. PROVISION FOR RETIREMENT ALLOWANCES

Effective April 1, 1998, the MLCC commenced recording accumulated retirement allowances for its employees. Eligible employees are entitled to receive a retirement allowance equal to one week's pay to a maximum of 25 weeks for each year of continuous employment, based on the current salary at date of retirement. The provision recorded is calculated based on a formula provided by the Province of Manitoba.

The amount of the opening provision for retirement allowances as at April 1, 1998 of $3,165 is included as part of the loan-term loan receivable – Province of Manitoba. There are no conditions or terms for collection of this non-interest bearing loan receivable.

9. FUTURE COMMITMENTS

[a] The MLCC leases its Head Office and nine other buildings from the Government of the Province of Manitoba for the nominal sum of two dollars effective August 1, 1985, for a period of 99 years.

[b] The MLCC leases another 39 buildings. Leases have expiry dates ranging from 2008 to 2024.

The future minimum lease payments for each of the next five years and thereafter are as follows:

Year ending March 31	**$**
2008	3,893
2009	3,793
2010	3,547
2011	2,984
2012	2,627
Thereafter	13,035
	29,879

[c] The MLCC leases computer equipment. Leases on this computer equipment have expiry dates ranging from 2008 to 2011.

The future minimum lease payments for each of the years to the expiry of the lease contracts are as follows:

Year ending March 31	**$**
2008	899
2009	661
2010	344
2011	229
	2,133

[d] The MLCC entered into a contract for expansion of the Distribution Centre. The balance of the contractual obligation to be paid in 2008 is $6,798.

BDO Dunwoody LLP/s.r.l.
Chartered Accountants and Advisors
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Auditors' Report

To the Members of
MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

We have audited the balance sheet of **MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION** as at March 31, 2007 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the organization as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants

Winnipeg, Manitoba
June 28, 2007

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Balance Sheet

March 31	2007	2006
Assets		
Current Assets		
Cash and bank	$ 62,140	$ 94,850
Rent receivable (Note 2)	463,746	282,966
	525,886	377,816
Long-term investment - Miller Environmental Corporation	1,000,000	1,000,000
Capital assets - land, at cost	170,305	170,305
	$ 1,696,191	$ 1,548,121
Liabilities and Equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 10,024	$ 10,427
Equity		
Share capital (Note 1)	7,500,000	7,500,000
Deficit	(5,813,833)	(5,962,306)
	1,686,167	1,537,694
	$ 1,696,191	$ 1,548,121

On behalf of the Board:

________________________ Director

________________________ Director

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Statement of Operations and Deficit

For the year ended March 31	2007	2006
Revenue		
Gross profit rent (Note 2)	$ **180,780**	$ 77,419
Expenses		
General and administrative expenses	**32,307**	35,224
Net income for the year	**148,473**	42,195
Deficit, beginning of year	**(5,962,306)**	(6,004,501)
Deficit, end of year	$ **(5,813,833)**	$ (5,962,306)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION

Statement of Cash Flows

For the year ended March 31	2007	2006
Cash Flows from Operating Activities		
Net income for the year	$ **148,473**	$ 42,195
Changes in non-cash working capital balances		
Rent receivable	**(180,780)**	(77,419)
Accounts payable and accrued liabilities	**(403)**	(572)
Decrease in cash and cash equivalents for the year	**(32,710)**	(35,796)
Cash and cash equivalents, beginning of year	**94,850**	130,646
Cash and cash equivalents, end of year	$ **62,140**	$ 94,850

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

MANITOBA HAZARDOUS WASTE MANAGEMENT CORPORATION
Summary of Significant Accounting Policies

March 31, 2007

Nature of Business

The Manitoba Hazardous Waste Management Corporation was established under the Manitoba Hazardous Waste Management Corporation Act. The organization, as an agent of the Government of the Province of Manitoba, is responsible to establish, operate, and maintain in accordance with all applicable laws in the province, a hazardous waste management system in Manitoba. This system must be operated and maintained in a manner that will protect the health and safety of the public and preserve the environment. Effective January 1, 1996, the organization entered into various agreements with Miller Waste Systems, a division of Miller Paving Limited and Miller Environmental Corporation (Miller) for the continued operation of the hazardous waste management system in Manitoba.

These agreements provide for the transfer of certain assets and liabilities to Miller in exchange for 50% of the common shares and all the Class A special preferred shares of Miller. Under the agreements, the organization retains title to its land holdings which are being leased to Miller for an indefinite term, contingent on Miller's continued existence and operation of the hazardous waste management system.

Financial Instruments

The organization's financial instruments consist of cash, rent receivable, long-term investments and accounts payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Basis of Accounting

These financial statements were prepared using the accrual basis of accounting. The accrual basis recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipts of goods or services and the creation of a legal obligation to pay.

Long-term Investments

The investment in Miller Environmental Corporation is recorded at cost of $3,000,000 less $2,000,000 writedown in 2003 to represent the estimated value of the investment after taking into consideration an impairment in value.

Rental Income

According to the terms of the site lease with Miller, rental income is based on a percentage of Miller's gross profits.

Revenue Recognition

Gross profit rent revenue is based on the gross profit of Miller Environmental Corporation (MEC). MEC has a year-end date of February 28 and the gross profit rent revenue is calculated using the year-end audited financial statements of MEC. Therefore, gross profit rent revenue is recognized for the MEC year ending February 28th by Manitoba Hazardous Waste Management Corporation each year.

1. Share Capital

The authorized capital of the organization is 350,000 shares for a maximum consideration of $35,000,000.

The issued capital is as follows:

	2007	2006
75,000 common shares	**$ 7,500,000**	$ 7,500,000

2. Gross Profit Rent

On January 1, 1996, Miller Environmental Corporation (MEC) entered into a site lease agreement with the Manitoba Hazardous Waste Management Corporation (MHWMC). Under the terms of the agreement, MEC is committed to annual rent payments of 20% of gross profit to a maximum of $500,000 for each calendar year.

The estimated rental profit receivable based on the audited financial statements of MEC for the fiscal years ending February 28 is as follows:

February 28, 2007	**$ 180,780**
February 28, 2006	**77,419**
February 28, 2005	**94,817**
February 28, 2004	**21,115**
February 28, 2003	**16,998**
February 28, 2002	**57,323**
February 28, 2001	**15,294**
	$ 463,746

3. Contingencies

Under the terms of the agreements with Miller Environmental Corporation, MHWMC would be responsible for any claims prior to January 1, 1996 not disclosed during the due diligence process. Any future removal and site restoration costs would be the responsibility of Miller and the Province of Manitoba. An estimate of these costs cannot be determined and therefore no provision has been made in the financial statements for any such costs.

4. Economic Dependence

The organization is economically dependent on Miller Environmental Corporation. The organization's main future sources of revenue are site lease rental revenue and dividend income from its affiliate.

5. Public Sector Compensation

Pursuant to the disclosure required by the Public Sector Compensation Disclosure Act, the remuneration paid to Board members during the year, in aggregate, totalled $10,410. No employee's compensation exceeded $50,000 per year.

6. Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

MANAGEMENT REPORT

For the year ended March 31

The accompanying consolidated financial statements and all additional information contained in the Annual Report are the responsibility of management and have been approved by the Manitoba Hydro-Electric Board. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, applied on a basis consistent with that of the preceding year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available up to June 4, 2007. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management maintains internal controls to provide reasonable assurance that the assets of the Corporation are properly safeguarded and that the financial information is reliable, timely, and accurate. An internal audit function independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its finding to management and to the Audit Committee of the Board.

The responsibility of the external auditors, Ernst & Young LLP, is to express an independent, professional opinion on whether the consolidated financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and their opinion.

The Audit Committee of the Board is comprised of five members, the majority of whom are members of the Manitoba Hydro-Electric Board. The Audit Committee of the Board meets with the external auditors, representatives of the Auditor General's Office, the internal auditors and management to satisfy itself that each group has properly discharged its respective responsibility and to review the consolidated financial statements before recommending approval by the Board. The Board reviews the Annual Report in advance of its release and approves its content and authorizes its publication.

On behalf of management:

Vince Warden

R. B. Brennan, FCA
President and Chief Executive Officer,

V. A. Warden, CMA, FCMA
Vice-President,
Finance and Administration and Chief Financial Officer

Winnipeg, Canada
June 4, 2007

Auditors' Report

TO THE BOARD OF DIRECTORS
MANITOBA HYDRO-ELECTRIC BOARD

We have audited the consolidated balance sheet of The Manitoba Hydro-Electric Board as at March 31, 2007 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

Winnipeg, Canada,
June 4, 2007

CONSOLIDATED STATEMENT OF INCOME

For the year ended March 31

		Notes	2007	2006
			millions of dollars	
Revenues				
Electric	Manitoba		1 040	1 001
	Extraprovincial	2	592	827
Gas	Commodity		379	397
	Distribution		129	120
			2 140	2 345
Cost of gas sold			379	397
			1 761	1 948
Expenses				
Operating and administrative			386	375
Finance expense		3	506	503
Depreciation and amortization			332	322
Water rentals and assessments		4	112	131
Fuel and power purchased			226	125
Capital and other taxes			77	77
			1 639	1 533
Net Income			122	415

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the year ended March 31

	2007	2006
	millions of dollars	
Retained earnings, beginning of year	1 285	870
Net income	122	415
Retained Earnings, end of year	1 407	1 285

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated Financial Statements

CONSOLIDATED BALANCE SHEET

As at March 31

	Notes	2007	2006
		millions of dollars	
Assets			
Property, Plant and Equipment			
In service	5	11 424	11 065
Less accumulated depreciation	5	3 924	3 657
		7 500	7 408
Construction in progress	5	915	602
		8 415	8 010
Current Assets			
Cash and cash equivalents		1	119
Accounts receivable and accrued revenue		426	421
Interest receivable		10	6
Materials and supplies, at average cost		117	159
		554	705
Other Assets and Deferred Charges			
Sinking fund investments	6	630	555
Pension assets	7	800	719
Deferred charges	8	457	385
Goodwill		108	108
		1 995	1 767
		10 964	10 482

Approved on behalf of the Board:

Victor H. Schroeder, QC
Chair of the Board

William Fraser, FCA
Chair of the Audit Committee

	Notes	2007	2006
		millions of dollars	
Liabilities and Retained Earnings			
Long-Term Debt			
Long-term debt net of sinking fund investments		6 192	6 496
Sinking fund investments shown as assets	6	630	555
	9	6 822	7 051
Current Liabilities			
Accounts payable and accrued liabilities	10	294	313
Notes payable	11	148	-
Accrued interest		138	110
Current portion of long-term debt	9	405	118
		985	541
Other Liabilities and Deferred Credits			
Deferred liabilities and credits	12	524	466
Pension obligation	7	663	606
Asset purchase obligation	13	228	236
Contributions in aid of construction		335	297
		1 750	1 605
Retained Earnings		1 407	1 285
		10 964	10 482

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended March 31

	Notes	2007	2006
		millions of dollars	
Operating Activities			
Cash receipts from customers		2 069	2 333
Cash paid to suppliers and employees		(1 095)	(1 126)
Interest paid		(563)	(530)
Interest received		32	33
		443	710
Financing Activities			
Proceeds from long-term debt		172	180
Sinking fund withdrawals		-	84
Retirement of long-term debt		(79)	(110)
Mitigation liability	16	(12)	(19)
Notes payable		147	(59)
Other		(1)	1
		227	77
Investing Activities			
Property, plant and equipment, net of contributions		(645)	(496)
Sinking fund payment		(100)	(103)
Other		(43)	(78)
		(788)	(677)
Net increase (decrease) in cash		(118)	110
Cash at beginning of year		119	9
Cash at end of year		1	119

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

Consolidation - The consolidated financial statements include the financial statements of the Corporation and its subsidiaries. For purposes of consolidation, all significant intercompany accounts and transactions have been eliminated.

Rate Regulated Accounting - The prices charged for the sale of electricity and natural gas within Manitoba are subject to review and approval by the Public Utilities Board of Manitoba (PUB). The rate-setting process ensures that rates charged to electricity and natural gas customers recover costs incurred by Manitoba Hydro in providing electricity and gas service. Accordingly, Manitoba Hydro applies various accounting policies that differ from enterprises that do not operate in a rate-regulated environment. Such accounting policies allow for the deferral of certain costs or credits which will be recovered or refunded in future rates. These costs or credits would otherwise be included in the determination of net income in the year that the cost or credit is incurred. Manitoba Hydro refers to such deferred costs or credits as regulated assets or liabilities which are generally comprised of the following:

- Deferred taxes - Taxes paid by Centra Gas (July 1999) as a result of its change to non-taxable status on acquisition by Manitoba Hydro, have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Acquisition costs - Costs associated with the acquisition of Centra Gas (July 1999) and Winnipeg Hydro (September 2002) have been deferred and are being amortized on a straight-line basis over a period of 30 years.
- Site restoration costs - Site restoration costs incurred are recorded as a deferred expense and are amortized on a straight-line basis over 15 years.
- Purchased gas variance accounts (PGVA) - Accounts are maintained to recover/ refund differences between the actual cost of gas and the cost of gas incorporated into rates charged to customers as approved by the PUB. The difference between the recorded cost of natural gas and the actual cost of natural gas is carried as an account receivable/ payable, and recovered or refunded in future rates.
- Power Smart programs (Gas) - The costs of the Corporation's energy conservation programs for its natural gas operations are deferred and amortized on a straight-line basis over a period of 15 years.

Notes to the Consolidated Financial Statements

Manitoba Hydro's other significant accounting policies are as follows:

a) **Property, Plant and Equipment**

Property, plant and equipment is stated at cost which includes direct labour, materials, contracted services, a proportionate share of overhead costs and interest applied at the average cost of debt. Finance expense is allocated to construction until a capital project becomes operational or a decision is made to abandon, cancel or indefinitely defer construction. Once the transfer to in service property, plant and equipment is made, finance expense allocated to construction ceases, and depreciation and finance expense charged to operations commences.

b) **Depreciation**

Depreciation is provided on a straight-line remaining life basis. The major components of generating stations are depreciated over the lesser of the remaining life of the major component or the remaining life of the associated generating station.

The range of estimated service lives of each major asset category is as follows:

Generation	- Hydraulic	45 - 100 years
	- Thermal	25 - 75 years
Transmission	- Lines	40 - 85 years
	- Stations	20 - 53 years
Distribution (Electricity and Gas)		20 - 65 years

Provision for removal costs of major property, plant and equipment is charged to depreciation expense on a straight-line basis over the remaining service lives of the related assets. Retirements of these assets, including costs of removal, are charged to accumulated depreciation with no gains or losses reflected in operations. The estimated service lives and removal costs of the assets are based upon depreciation studies conducted periodically by the Corporation.

c) **Asset Retirement Obligations**

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The present value of the retirement cost is added to the carrying amount of the related asset. In subsequent periods, the retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

d) **Foreign Currency Translation**

Revenues and expenditures resulting from transactions in foreign currencies are translated into Canadian dollar equivalents at exchange rates in effect at the transaction dates except to the extent that revenues are used to hedge future long-term foreign debt obligations. In accordance with the Corporation's Exposure Management Program, revenues used as hedges are firm U.S. export revenues which are translated at the historical book value exchange rates of the respective U.S. debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. The maturity dates of U.S. debt obligations extend through 2023. For purposes of bridging the timing of U.S. debt maturities and the U.S. revenue streams used to hedge those debt maturities, the Corporation utilizes U.S. sinking funds and U.S. dollar forward contracts. The investment income from the U.S. sinking fund is retained within the Exposure Management Program to form part of the long-term debt obligation hedge.

Long-term monetary assets and liabilities denominated in U.S. currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. The exchange gains or losses resulting from the translation of monetary items that form part of the long-term debt obligation hedge are deferred to the period in which the respective U.S. long-term debt obligation is retired.

Current monetary assets and liabilities denominated in foreign currencies are translated into Canadian currency at the exchange rate prevailing at the balance sheet date. Any exchange gains and losses on the translation of current monetary assets and liabilities are credited or charged to finance expense in the current period.

e) **Employee Future Benefits**

Manitoba Hydro provides employee future benefits, including pension and other post-retirement benefits, to both existing and retired employees. Pension plans include the Civil Service Superannuation Board (CSSB) plan, three Centra Gas curtailed pension plans, and The Winnipeg Civic Employees' Benefits Board Program (EBBP).

The costs and obligations of pension and other post-retirement benefits are calculated by an independent actuary using the accrued benefit actuarial cost method and reflect management's best estimate of future compensation increases, service lives and inflation rates. Pension expense is comprised of the cost of pension benefits provided during the year plus the amortization of past service benefits and experience gains and losses net of expected returns on fund assets. Expected returns on fund assets are calculated using market related values based on a five year moving average approach. The unamortized present value of past service benefits and actuarially determined experience gains or losses are recognized in the financial statements as deferred assets or credits.

The Corporation utilizes the "corridor method" of amortizing actuarial gains and losses. The amortization of experience gains and losses is recognized only to the extent that the cumulative unamortized net actuarial gain or loss exceeds 10% of the greater of the accrued benefit obligation and the fair market value of plan assets at the beginning of the year. When required, the excess of the cumulative gain or loss balance is amortized over the expected average remaining service life of the employees covered by the plan.

Under the provisions of the CSSB plan, Manitoba Hydro is required to fund approximately 50% of pension payments made to retirees. In order to meet this obligation, Manitoba Hydro maintains a pension fund which is managed by the CSSB. All pension assets of the Manitoba Hydro Pension Fund (MHPF) are reflected at current market value on Manitoba Hydro's balance sheet. The assets relating to the Centra Gas curtailed pension plans are held in trust by the State Street Trust Co. of Canada and are not reflected on Manitoba Hydro's balance sheet. Pension and long-term disability expenses pertaining to the former Winnipeg Hydro employees are recognized at the time contributions are made to the EBBP which maintains the funds and obligations relating to these employees in its financial records.

Other employee benefits earned by employees include vacation, vested sick leave, severance and a retirement health spending plan. Where applicable, the future costs of these benefits are based on management's best estimates.

f) **Debt Discounts and Premiums**

Debt discounts and premiums are amortized to finance expense on a straight-line basis over the life of the respective debt.

g) **Sinking Fund Investments**

The Corporation records sinking fund investments at par value. The difference between the cost and the par value of each investment is recorded as a premium or discount and is amortized on a straight-line basis over the remaining life of the investment. Any gain or loss on early disposal of investments is credited or charged to investment income.

h) **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

i) **Planning Studies**

The costs of planning studies related to uncommitted major generation or transmission facilities are deferred and amortized on a straight-line basis over 15 years. If there is reasonable assurance that a project will proceed to construction, any unamortized balance related to that project is transferred to construction in progress.

j) **Power Smart Programs**

The costs of the Corporation's energy conservation programs, referred to as Power Smart, are deferred and amortized on a straight-line basis over a period of 15 years.

k) **Revenues**

Customers' meters are read and billed on a cyclical basis. Revenues are accrued in respect of energy delivered for those cycles not yet billed.

l) **Contributions in Aid of Construction**

Contributions are required from customers whenever the costs of extending service exceed specified construction allowances. Contributions are amortized on a straight-line basis over the estimated service lives of the related assets.

m) **Cost of Gas Sold**

Cost of natural gas sold is recorded at the same rates charged to customers.

n) **Derivative Financial Instruments**

The Corporation mitigates natural gas price volatility to customers through the use of derivative products restricted to price swaps, call options and cashless collars. The Corporation hedges up to 100% of its primary gas baseload volumes for up to twelve (12) months into the future. A stringent control environment is maintained to manage any risks related to the application of derivatives. Amounts paid or received under derivative financial instruments are recognized as part of the cost of gas sold.

o) **Goodwill**

Goodwill represents the amount of the Corporation's investments in Centra Gas and Winnipeg Hydro over and above the fair market value of the net assets acquired. The goodwill balance is evaluated annually to determine whether any impairment has occurred. An impairment would be recognized if it was determined that the carrying value of the Corporation's investments in Centra Gas or Winnipeg Hydro exceeded the present value of the future cash flows from these investments. Should impairment occur, it would be recorded as a charge against operations in the year of impairment.

p) **Use of Estimates**

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual amounts could differ from those estimates, but differences are not expected to be material.

q) **Future Changes - Financial Instruments, Hedges and Comprehensive Income**

Commencing with the Corporation's 2008 fiscal year, the new recommendations of the Canadian Institute of Chartered Accountants for accounting for comprehensive income (Section 1530), for the recognition and measurement of financial instruments (Section 3855) and for hedges (Section 3865) will apply to the Corporation's financial statements. The new sections emphasize the use of fair value, rather than historical cost, as the basis for accounting for financial instruments. The Corporation is currently examining the impact that these new standards will have on its financial statements.

NOTE 2 EXTRAPROVINCIAL REVENUES

	2007	2006
	millions of dollars	
United States	507	654
Canada	85	173
	592	827

For U.S. revenues used for hedging purposes, the effective exchange rate for translation is based on the historical book value of the associated debt which is $1.00 U.S. = $1.232 Canadian (2006 - $1.00 U.S. = $1.232 Canadian). All other U.S. extraprovincial revenues were translated at exchange rates in effect at the transaction dates which resulted in an average effective exchange rate of $1.00 U.S. = $1.1309 Canadian (2006 - $1.00 U.S. = $1.1905 Canadian).

NOTE 3 FINANCE EXPENSE

	2007	2006
	millions of dollars	
Interest on debt	575	569
Interest allocated to construction	(37)	(33)
Investment income	(32)	(33)
	506	503

Included in interest on debt is $71 million (2006 - $68 million) related to the Provincial Debt Guarantee Fee. The fee during the year was 1.0% of the total outstanding debt guaranteed by the Province (2006 – 0.95%).

Investment income includes interest earned on U.S. and Canadian sinking funds established for the retirement of long-term debt. U.S. sinking fund interest income used for hedging purposes is recorded at the historical book value rate of the associated debt. The effective exchange rate for translation of this interest income is $1.00 U.S. = $1.232 Canadian (2006 - $1.00 U.S. = $1.232 Canadian).

NOTE 4 WATER RENTALS AND ASSESSMENTS

	2007	2006
	millions of dollars	
Water rentals	105	124
Assessments	7	7
	112	131

Water rentals are paid to the Province for the use of water resources in the operation of the Corporation's hydroelectric generating stations. Water rental rates during the year were $3.34 per MWh (2006 - $3.34 per MWh).

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	2007			2006		
	millions of dollars					
	In service	Accumulated depreciation	Construction in progress	In service	Accumulated depreciation	Construction in progress
Generation						
- Hydraulic	4 391	1 346	560	4 334	1 285	353
- Thermal	504	226	5	494	202	4
Transmission						
- Lines	781	237	88	745	225	53
- Stations	2 174	900	82	2 094	829	83
Distribution	2 534	850	34	2 407	777	18
Other	1 040	365	146	991	339	91
	11 424	3 924	915	11 065	3 657	602

NOTE 6 SINKING FUND INVESTMENTS

Manitoba Hydro is legislated under the Manitoba Hydro Act to make annual sinking fund contributions to the Province of Manitoba of not less than 1% of the principal amount of the outstanding debt on the preceding March 31, and 4% of the balance in the sinking fund at such date. Contributions to the sinking fund during the year were $100 million (2006 - $103 million). Income earned on sinking fund investments is included with investment income for the year.

Sinking funds are invested in government bonds and the bonds of highly rated corporations and financial institutions.

	2007	2006
	millions of dollars	
U.S. investments	630	555
	630	555

U.S. investments have a weighted average term to maturity of 3.8 years (2006 - 4.8 years) and an effective yield to maturity of 4.3% (2006 – 4.1%). U.S. investments are translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.15 Canadian (2006 - $1.00 U.S. = $1.17 Canadian).

NOTE 7 PENSION ASSETS AND OBLIGATION

Manitoba Hydro employees are eligible for pensions under the Civil Service Superannuation Board (CSSB) defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years. The CSSB plan requires the Corporation to contribute approximately 50% of the pension disbursements made to retired employees. In addition, the former employees of Centra Gas are entitled to pension benefits earned under the Centra Gas curtailed pension plans. The former Winnipeg Hydro employees continue to earn benefits under the City of Winnipeg Civic Employees' Benefit Board Program (the EBBP) in which, upon the acquisition of Winnipeg Hydro, Manitoba Hydro became a participating employer. The EBBP is also a defined benefit plan that provides pension benefits based on years of service and on the average earnings of the 5 best years.

The Corporation's pension expense related to each of the pension benefit plans is as follows:

	CSSB plan		**Centra Gas curtailed pension plans**	
	2007	2006	2007	2006
	millions of dollars			
Current service cost	19	18	-	-
Administrative fees	2	2	-	-
Canada Pension Plan	11	10	-	-
Interest on obligation	41	39	5	4
Expected return on plan assets	(49)	(45)	(5)	(4)
Amortization of net experience loss	3	3	1	1
Amortization of transitional gain	(1)	(1)	-	-
	26	26	1	1

Pension expense for the former Winnipeg Hydro employees is equal to employer contributions to the EBBP in addition to employer remittances to the Canada Pension Plan. Total contributions to the EBBP during the year amounted to $0.4 million (2006 - $0.3 million) and reflect an employer contribution rate approximating 1.4% of pensionable earnings.

The most recent actuarial valuations for the Corporation's obligations under the CSSB and Centra Gas curtailed pension plans were performed with respect to the liabilities outstanding as at December 31, 2006. These valuations incorporated management's best estimate assumptions and took into consideration the long-term nature of the pension plans. The next actuarial valuations for all plans will occur in December 2007.

The Centra Gas curtailed pension plans are also subject to a solvency valuation for funding purposes with the latest valuation taking place as at December 31, 2006.

The significant actuarial assumptions adopted in measuring the Corporation's pension and other employee benefit obligations are as follows:

	2007	2006
Discount rate	6.50%	6.75%
Expected long-term rate of return on plan assets	7.5%	7.5%
Rate of compensation increase, including merit and promotions	1.5 - 2.0%	1.5 - 2.0%
Expected average remaining service life of employees	14 years	14 years
Long-term inflation rate	2.0%	2.0%

Notes to the Consolidated Financial Statements

The Corporation fully funds its pension obligation to employees. The CSSB manages the Corporation's pension fund (MH Pension Fund) on behalf of the Corporation.

The following tables present information concerning the MH Pension Fund and the Centra Gas curtailed pension plans:

	MH Pension Fund		**Centra Gas curtailed pension plans**	
	2007	2006	2007	2006
	millions of dollars			
Plan Assets at Fair Value				
Balance at beginning of year	719	615	68	59
Actual return on plan assets	81	104	7	9
Employer contributions	-	-	4	3
Benefit payments and refunds	-	-	(4)	(3)
	800	719	75	68
Accrued Benefit Obligation				
Balance at beginning of year	606	568	73	71
Interest on obligation	41	39	5	5
Current service cost	19	18	-	-
Benefit payments and refunds	(27)	(25)	(4)	(3)
Actuarial losses	24	6	3	-
	663	606	77	73
Surplus (deficit) at end of year	137	113	(2)	(5)

Pension assets are valued at market rates and are invested as follows:

	MH Pension Fund fair value		**Centra Gas curtailed pension plans fair value**	
	2007	2006	2007	2006
	millions of dollars			
Equities	470	410	47	42
Bonds and debentures	243	229	25	23
Real estate	74	60	2	2
Short-term investments	13	20	1	1
	800	**719**	**75**	**68**

The return on pension fund assets for the MH Pension Fund was 11.4% (2006 - 17.0%). The return for the Centra Gas curtailed plan fund assets was 10.8% (2006 - 16.4%).

The weighted average term to maturity on fixed income investments is 8.5 years (2006 - 8.2 years).

NOTE 8 DEFERRED CHARGES

	2007	2006
	millions of dollars	
Debt discount and expense	16	8
Premium on purchase of sinking fund investments	34	23
Power Smart programs - electric	123	95
Contract receivables	60	51
Affordable Energy Fund (Note 17)	34	-
Planning studies	28	63
Employee future benefits	20	27
Advances to TPC (Note 18)	14	-
Regulated assets:		
Deferred taxes	40	41
Site restoration costs	38	31
Acquisition costs	26	26
Power Smart programs - gas	11	4
Other	13	16
	457	385

If the Corporation were not subject to rate regulation, the costs associated with the regulated assets would be charged to operations in the period that they were incurred and net income for 2007 would have been reduced by $13 million (2006 - $9 million).

In total, deferred charges of $56 million (2006 - $55 million) were amortized to operations during the period.

NOTE 9 LONG-TERM DEBT

The Corporation arranged long-term financing in the amount of $173 million (2006 - $180 million) of which Provincial advances were arranged for $50 million with a fixed coupon rate of 4.5%, Manitoba HydroBonds were issued for $116 million with a weighted average yield of 4.4% and a Manitoba Hydro-Electric Board Bond was issued in the amount of $7 million with a fixed coupon rate of 7.1%.

	2007	2006
	millions of dollars	
Advances from the Province of Manitoba represented by debenture debt of the Province	6 640	6 625
Manitoba HydroBonds	386	347
Manitoba Hydro-Electric Board Bonds	201	197
	7 227	7 169
Less: Current portion of long-term debt	405	118
	6 822	7 051

Included in the current portion of long-term debt are $333 million (2006 - $106 million) of debt maturities and $72 million (2006 - $12 million) of floating rate Manitoba HydroBonds with a maturity date in 2011. Floating rate Manitoba HydroBonds are redeemable at the option of the holder.

Long-term debt, excluding Manitoba Hydro-Electric Board Bonds issued for mitigation projects in the amount of $57 million (2006 - $50 million), is guaranteed by the Province of Manitoba.

Debt principal amounts and related yields are summarized by fiscal years of maturity in the following table:

					2007	2006
		millions of Canadian dollars				
Years of Maturity	Canadian	Cdn Yields	U.S.	U.S. Yields	Total	Total
2008	405	4.4%	-	-	405	264
2009	-	-	284	5.9%	284	288
2010	186	5.4%	285	5.7%	471	446
2011	4	4.1%	-	-	4	4
2012	15	4.6%	-	-	15	-
	610	5.4%	569	5.6%	1 179	1 002
2013-2017	1 062	5.8%	390	7.0%	1 452	1 458
2018-2057	2 751	7.3%	1 845	7.6%	4 596	4 591
	4 423	7.0%	2 804	7.4%	7 227	7 051

U.S. debt is translated into Canadian currency at the exchange rate prevailing at the balance sheet date, $1.00 U.S. = $1.15 Canadian (2006 - $1.00 U.S. = $1.17 Canadian).

NOTE 10 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
	millions of dollars	
Accounts payable	285	272
Regulated liabilities:		
Purchased gas variance accounts	9	41
	294	313

The Corporation passes all costs related to the purchase and transportation of natural gas onto its customers without markup. If the Corporation were not subject to rate regulation, the purchased gas variance accounts would not be maintained and the actual cost of gas would be expensed in the period incurred. If actual gas costs were expensed and sales rates were not adjusted accordingly, net income would have decreased by $32 million (2006 - increased by $15 million).

NOTE 11 NOTES PAYABLE

	2007	2006
	millions of dollars	
Canadian notes	148	-
	148	-

Notes payable at March 31, 2007 had a weighted average term to maturity of 40 days at a weighted average rate of 4.2% (2006 - no notes payable outstanding). The Corporation has bank credit facilities that provide for overdrafts and notes payable up to an amount of $500 million denominated in Canadian and/or U.S. currency.

NOTE 12 DEFERRED LIABILITIES AND CREDITS

	2007	2006
	millions of dollars	
Deferred foreign exchange	149	127
Mitigation liability (Note 16)	132	121
Employee future benefits, excluding pensions	126	112
Refundable advances from customers	35	30
Affordable Energy Fund (Note 17)	34	-
Asset retirement obligations	30	29
Non-controlling interest (Note 18)	15	-
Interest income and other credits	3	47
	524	466

Asset retirement obligations have been recognized for the decommissioning of the Corporation's two thermal generating stations, and for the removal and disposal of polychlorinated biphenyl contaminated fluid in HVDC converter station capacitors. The Corporation estimates that the undiscounted cash flows required to settle the asset retirement obligations are approximately $65 million, $16 million of which will be incurred between March 31, 2007 and March 31, 2010 for polychlorinated biphenyl contaminated oil removal and disposal. The balance of $49 million is expected to be incurred in 2024 as part of the decommissioning of Manitoba Hydro's two thermal generating stations. No funds are being set aside to settle the asset retirement obligations.

NOTE 13 ASSET PURCHASE OBLIGATION

Effective September 3, 2002, the Corporation acquired the net assets of Winnipeg Hydro from the City of Winnipeg. The Asset Purchase Obligation represents the net present value of payments to the City of Winnipeg of $20 million per annum in years 2007 to 2010, and $16 million per annum in year 2011 and each year thereafter in perpetuity.

NOTE 14 FINANCIAL INSTRUMENTS

Derivative Financial Instruments

The Corporation has entered into cashless collar contracts until January 2008 to purchase 26 030 000 gigajoules (gj) of natural gas at a weighted average lower strike price of $7.45/gj. The weighted average forward price per the Alberta Energy Company Exchange (AECO) at March 30, 2007 was $8.14/gj.

These contracts will be recorded in the month the natural gas is delivered. At March 31, 2007, the valuation of these contracts showed a negative fair value of $1.4 million (2006 negative fair value of $25 million). There were no unrecognized financial liabilities relative to these contracts.

Fair Value

The estimated fair values of the Corporation's long-term debt and sinking fund investments are based on year-end market interest and exchange rates for similar debt and investment instruments. As at March 31, 2007, the estimated fair value of the Corporation's total long-term debt amounted to $8 807 million (2006 - $8 733 million). The estimated fair value of sinking fund investments, which the Corporation uses for the purpose of repaying long-term debt, amounted to $659 million at March 31, 2007 (2006 - $565 million).

The carrying values of all other financial assets and liabilities approximate fair value.

Foreign Exchange Risk

As at March 31, 2007, there were foreign exchange contract purchases of $90 million U.S. at a weighted average exchange rate of $1.10 (2006 - $193 million U.S. at a weighted average exchange rate of $1.15) and £1 million U.K. at a weighted average exchange rate of $2.28 (2006 – £4 million U.K. at a weighted average exchange rate of $2.17) and foreign exchange contract sales of $6 million U.S. at a weighted average exchange rate of $1.15 (2006 – $0 million). At March 31, 2007, the valuation of the foreign exchange contracts showed a positive fair value of $4 million (2006 - $2 million).

Cross currency swap arrangements transacted by the Province of Manitoba (the Province) on the Corporation's behalf are utilized to manage exchange rate exposures and as a means to capitalize on favorable financing terms in either U.S. or Canadian capital markets. Cross currency agreements represent an exchange of principal and/or interest flows denominated in one currency for principal and/or interest flows denominated in another. Such transactions effectively amend the terms of the original debt obligation with the Province with the swapped debt arrangement.

Interest Rate Risk

Interest rate risk is associated with notes payable net of temporary investments, the current portion of long-term debt net of the current portion of sinking fund investments, and floating rate long-term debt which totaled $1 558 million at March 31, 2007 (2006 - $1 074 million). For information purposes, an increase of 1% in the interest rate would reduce net income by $15 million for the year ended March 31, 2007 (2006 - $11 million).

Interest rate swap agreements transacted by the Province on the Corporation's behalf are utilized to manage the fixed and floating interest rate mix of the total debt portfolio, interest rate exposure, and related overall cost of borrowing. Interest rate swap agreements represent an agreement between two parties to periodically exchange payments of interest without the exchange of the principal amount upon which the payments are based. The Province may also enter into forward start interest rate swap arrangements where the agreement to exchange interest payments commences at some future date. In either swap arrangement, the terms of the debt advanced by the Province to the Corporation are amended by the swap.

Credit Risk

Credit risk on sinking fund investments, pension assets, and short-term investments is minimized as the Corporation invests exclusively in government-guaranteed bonds, highly rated investments or well diversified investment portfolios. The majority of the Corporation's accounts receivable are owing from domestic consumers who are in diversified industries and from sales to other utilities. Credit risk in the export market is minimized through the application of established credit requirements.

Credit risk associated with counterparties is minimized by establishing minimum credit rating requirements, setting potential exposure limits and monitoring exposure against these limits, and when necessary, obtaining financial assurances from counterparties.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Manitoba Hydro has energy purchase commitments of $1 301 million (2006 - $682 million) that relate to future purchases of natural gas (including transportation and storage contracts), coal and wind energy. Commitments are primarily for natural gas purchases, the majority of which expire in 2009. In addition, other outstanding commitments, principally for construction, are approximately $213 million (2006 - $98 million).

The Corporation will incur future costs associated with the assessment and remediation of contaminated lands and facilities, and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. Although these costs cannot be reasonably determined at this time (except for items already recognized as Asset Retirement Obligations), a contingent liability exists.

Due to the size, complexity, and nature of Manitoba Hydro's operations, various legal and operational matters are pending. It is not possible at this time to predict with any certainty the outcome of these matters. Management believes that any settlements related to these matters will not have a material effect on Manitoba Hydro's consolidated financial position or results of operations.

NOTE 16 MITIGATION

The Corporation is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba, and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River Diversion and Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

Expenditures incurred or settlements reached to mitigate the impacts of all projects amounted to $17 million during the year (2006 - $28 million). In recognition of future anticipated mitigation payments, the Corporation has recorded a liability of $132 million (2006 - $121 million).

The Corporation has also entered into agreements with the Province of Manitoba whereby the Corporation has assumed obligations of the Province with respect to certain northern development projects. The Corporation has assumed obligations totaling $143 million for which water power rental charges were fixed until March 31, 2001. The obligations outstanding at March 31, 2007 amounted to $13 million (2006 - $17 million).

To March 31, 2007, $616 million (2006 - $599 million) has been recorded to mitigate and compensate for all project-related impacts. There are other mitigation issues, the outcomes of which are not determinable at this time. However, in total, such other mitigation issues are not considered to be significant.

NOTE 17 AFFORDABLE ENERGY FUND

In June 2006, the Legislative Assembly of Manitoba enacted the Winter Heating Cost Control Act (the Act) which, in part, requires that Manitoba Hydro establish an Affordable Energy Fund (the Fund) for the purpose of providing support for programs and services that:

(a) encourage energy efficiency and conservation;
(b) encourage the use of alternative energy sources, including earth energy; and
(c) facilitate research and development of alternative energy services and innovative energy technologies.

The Act requires that the Fund be established based on a percentage of gross revenue from the sale of electricity outside Manitoba in the 2006-07 fiscal year. After consultation with the Minister responsible for Manitoba Hydro, the Fund has been established in the amount of $35 million which is equivalent to 5.9% of gross extraprovincial revenues in 2006-07.

For accounting purposes, the Fund was established as a Deferred Charge (Note 8) with an offsetting Deferred Credit (Note 12). Expenditures of $1 million during the year were charged to operations with the deferred accounts reduced accordingly.

NOTE 18 ADVANCES TO TASKINIGAHP POWER CORPORATION

Taskinigahp Power Corporation (TPC) has a non-controlling interest in the Wuskwatim Generating Station which is currently under construction and projected to be placed in-service in 2012.

TPC is owned beneficially by Nisichawayasihk Cree Nation (NCN). Both Manitoba Hydro and NCN are parties to the Wuskwatim Power Limited Partnership (WPLP) which was formed to carry on the business of developing, owning and operating the generating station.

In accordance with the partnership agreements, Manitoba Hydro will provide debt financing to TPC. At March 31, 2007 Manitoba Hydro has provided advances to TPC of $14 million (2006 - $0 million). The advances are repayable by TPC, with interest, subsequent to the in-service date of the Wuskwatim Generating Station. In addition to the advance, TPC contributed $1 million (2006 - $0 million) to the WPLP bringing their non-controlling interest to $15 million (2006 - $0 million).

NOTE 19 SEGMENTED INFORMATION

The Corporation operates primarily in two business segments: electricity and natural gas. Each segment has its own particular economic characteristics and differs in nature, production processes, and technology. The electricity segment encompasses the generation, transmission, and distribution of electricity. The gas segment represents natural gas supply and distribution activities through the operations of Centra Gas. The Corporate segment represents the costs to acquire Centra Gas and to integrate its operations into those of Manitoba Hydro. These costs are allocated to gas and electricity segments in accordance with the synergies and benefits derived by each of these segments as a result of the acquisition.

The following table contains information related to the operating results, assets, liabilities, and retained earnings by segment:

	Electricity		**Gas**		**Corporate**		**Total**	
	2007	2006	2007	2006	2007	2006	2007	2006
				millions of dollars				
Revenues (net of cost of gas sold)	1 632	1 828	129	120	-	-	1 761	1 948
Expenses								
Operating and administrative	332	322	54	53	-	-	386	375
Finance expense	467	468	22	18	17	17	506	503
Depreciation and amortization	312	301	18	19	2	2	332	322
Water rentals and assessments	112	131	-	-	-	-	112	131
Fuel and power purchased	226	125	-	-	-	-	226	125
Capital and other taxes	55	54	22	23	-	-	77	77
Corporate allocation	7	7	12	12	(19)	(19)	-	-
	1 511	1 408	128	125	-	-	1 639	1 533
Net income (loss)	121	420	1	(5)	-	-	122	415
Total assets	10 367	9 853	597	629	-	-	10 964	10 482
Total liabilities	8 981	8 588	576	609	-	-	9 557	9 197
Total retained earnings	1 386	1 265	21	20	-	-	1 407	1 285

NOTE 20 COMPARATIVE FIGURES

Where appropriate, comparative figures for 2006 have been reclassified in order to conform to the presentation adopted in 2007.

management report

The accompanying consolidated financial statements are the responsibility of management and have been prepared in accordance with the accounting policies stated in the consolidated financial statements. These accounting policies have been applied on a basis consistent with the prior year. In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available. The financial information presented elsewhere in the Annual Report is consistent with that in the consolidated financial statements.

Management is responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for the Corporation. Management maintains internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

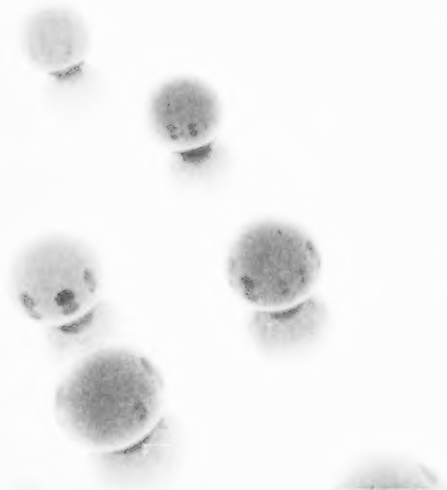
Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and that the assets of the Corporation are properly safeguarded. As part of the financial statement audit performed by Ernst & Young LLP, they reviewed the Corporations' internal controls to the extent that they considered necessary and reported their findings to management and the Board of Directors.

The responsibility of Ernst & Young LLP is to express an independent opinion on whether the consolidated financial statements are fairly stated in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the audit examination and provides the audit opinion.

The Audit Committee of the Board meets with management and Ernst & Young LLP to satisfy itself that each group has properly discharged its respective responsibilities and to review the consolidated financial statements before approving them. The Board has reviewed and approved the consolidated financial statements for the fiscal year ended March 31, 2007.

W. Hodgins

Cheryl Eason



Winston Hodgins
President and CEO

Cheryl Eason
Executive Vice-President & CFO

auditor's report

To the Board of Directors of
Manitoba Lotteries Corporation

We have audited the consolidated balance sheet of Manitoba Lotteries Corporation as at March 31, 2007 and the consolidated statements of net income and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants
Winnipeg, Canada,
May 11, 2007

consolidated balance sheet

MARCH 31, 2007 (IN THOUSANDS)

	NOTES	2007	2006
ASSETS			
Current Assets			
Cash		**$ 30,094**	$ 30,936
Accounts receivable	3	**18,104**	12,820
Inventories	4	**2,127**	2,921
Prepaid expenses	5	**3,670**	3,087
		53,995	49,764
Property and Equipment	6	**183,938**	218,430
Other Assets	7	**5,532**	5,778
		$ 243,465	$ 273,972
LIABILITIES AND RETAINED EARNINGS			
Current Liabilities			
Accounts payable and accruals	8	**$ 29,570**	$ 25,064
Payable to the Province of Manitoba		**10,720**	6,060
Current portion of long-term debt	9	**17,003**	19,068
		57,293	50,192
Long-Term Debt	9	**180,848**	218,502
Provision for Employee Pension Benefits	10	**324**	278
Total Liabilities		**238,465**	268,972
Commitments and contingencies	14		
Retained Earnings		**5,000**	5,000
		$ 243,465	$ 273,972

(see accompanying notes to the consolidated financial statements)

On behalf of the Board,

Director & Chair of the Board

Director & Chair of the Audit Committee

consolidated statement of net income & retained earnings

FOR THE YEAR ENDED MARCH 31, 2007 (IN THOUSANDS)

	NOTES	2007	2006
Revenue			
Revenue		**$ 699,545**	$ 669,294
Cost of sales		**241,288**	221,446
		458,257	447,848
Expenses			
Operating expenditures		**113,225**	104,069
Amortization		**29,236**	32,006
Interest expense - long-term		**13,013**	13,491
Goods and services tax		**4,622**	6,694
		160,096	156,260
Income before Allocations and Payments		**298,161**	291,588
Allocations and Payments	12		
Provinces of Alberta and Saskatchewan		**2,816**	2,794
Government of Canada		**2,292**	2,278
Gaming commission fees & Crown levy		**2,366**	2,327
Responsible gaming funding		**2,781**	2,696
Charitable and community organizations		**5,186**	4,433
		15,441	14,528
Net Income		**282,720**	277,060
Retained Earnings, beginning of the year		**5,000**	5,000
Allocation to the Province of Manitoba		**(282,720)**	(277,060)
Retained Earnings, end of the year		**$ 5,000**	$ 5,000

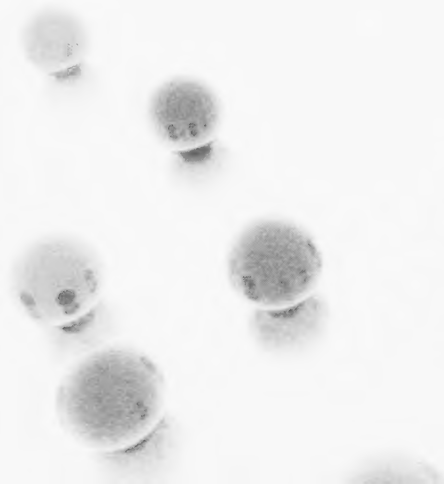
(see accompanying notes to the consolidated financial statements)

consolidated statement of cash flows

FOR THE YEAR ENDED MARCH 31, 2007 (IN THOUSANDS)

	NOTES	2007	2006
Operating activities			
Net income		**$ 282,720**	$ 277,060
Non-cash charges (credits) to income:			
Amortization		**28,990**	31,760
Amortization on assets related to First Nations Casinos		**1,568**	1,542
Amortization related to other assets		**246**	246
Gain on disposal of property and equipment		**(55)**	(57)
Provision for employee pension benefits		**46**	(28)
		313,515	310,523
Net changes in non-cash working capital items	15	**(567)**	(4,030)
Cash provided by operating activities		**312,948**	306,493
Investing activities			
Purchase of property and equipment		**(18,267)**	(20,580)
Proceeds from disposal of property and equipment		**144**	306
Proceeds from recovery of goods and services tax		**22,112**	-
Cash provided by (used in) investing activities		**3,989**	(20,274)
Financing activities			
Cash distributions to the Province of Manitoba:			
Current year		**(272,000)**	(271,000)
Prior year		**(6,060)**	(3,038)
Proceeds from long-term debt		**-**	7,900
Repayment of long-term debt		**(39,719)**	(16,918)
Cash used in financing activities		**(317,779)**	(283,056)
Increase (decrease) in cash during the year		**(842)**	3,163
Cash, beginning of the year		**30,936**	27,773
Cash, end of the year		**$ 30,094**	$ 30,936
Supplemental cash flow information			
Interest paid		**$ 13,550**	$ 13,656

(see accompanying notes to the consolidated financial statements)



notes to consolidated financial statements

FOR THE YEAR ENDED MARCH 31, 2007 (IN THOUSANDS)

1. Background

The Manitoba Lotteries Foundation was established by the Manitoba Lotteries Foundation Act. On July 27, 1993, the Act was amended and continued under the Manitoba Lotteries Corporation Act. By consent of the Legislative Assembly of Manitoba, the organization continues its operations as a Crown corporation under the name of the Manitoba Lotteries Corporation (MLC) or the "Corporation".

2. Significant Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements combine the accounts of Manitoba Lotteries Corporation and MLC Holdings Inc. This controlled entity was established to purchase capital assets, which are leased to MLC at cost. All intercompany transactions and accounts have been eliminated on consolidation.

(b) Western Canada Lottery Corporation (WCLC)

The Western Canada Lottery Corporation (WCLC) was incorporated without share capital under Part II of the Canada Corporations Act on May 13, 1974. The Provincial Governments of Manitoba, Saskatchewan and Alberta are members in the Corporation, and the Yukon Territory, the Northwest Territories and Nunavut participate with the provinces as associate members in the sale of gaming products. Each province and territory has appointed a lottery organization to assist the WCLC with the distribution of gaming products in its jurisdiction (MLC for the province of Manitoba). The proportionate share of WCLC's sales and cost of sales is included in the financial statements based on relative sales levels by jurisdiction.

(c) Revenue and expense recognition

Revenue and expenses are recorded on an accrual basis except for lottery revenue. Lottery revenue is recorded as of the date of the draw with the exception of instant game revenue which is recorded at the time the ticket is activated by the retailer via the on-line accounting system for sale to customers. Video lottery and other gaming revenue is recorded net of prizes paid. Administration fees related to First Nations are taken into income as earned.

(d) Property, equipment and amortization

Major capital expenditures with a future useful life beyond the current year are capitalized at cost and amortized on a straight-line basis according to their estimated useful lives. A half-year amortization is taken in the year of acquisition on assets under $1 million. For assets over $1 million amortization is taken at date of implementation.

Furniture and equipment	4-5 years
Gaming equipment	5-7 years
Casino stages	10 years
Buildings and parking lots	30 years
Leasehold improvements	Over term of lease
Capital lease – building	25 years
Assets related to First Nations Casinos	7 years
Other Assets – (see note 7)	26 years

Capital assets related to First Nations Casinos under the Conduct and Management Agreement consists primarily of the cost of the gaming equipment and related hardware and software. The cost of the assets and related financing costs are amortized and recovered over the seven-year term of the Conduct and Management Agreement.

(e) Goods and Services Tax

In lieu of Goods and Services Tax (GST) on lottery and gaming revenue, the Corporation foregoes claiming input tax credits and pays an additional 6% GST on gaming expenditures, including retailer commissions. This additional 6% is reported as GST expense.

An input tax credit is claimed for GST paid on non-gaming expenditures.

(f) Inventories

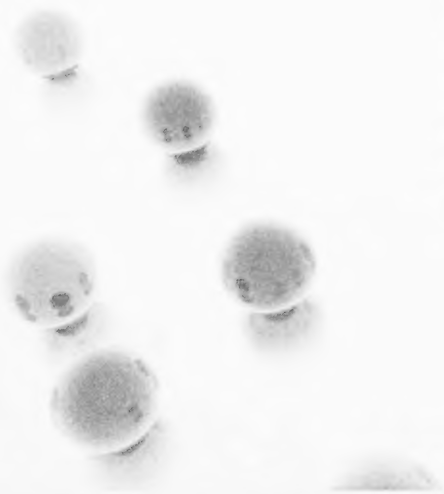
Inventories are valued at the lower of cost and replacement value for replacement parts and the lower of cost and net realizable value for all other inventory.

(g) Pension Plans

In accordance with the provisions of the Civil Service Superannuation Act (Act), employees of the Corporation are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Corporation is required to match contributions contributed to the Fund by the employees at prescribed rates, which is recorded as an operating expense. Under this Act, the Corporation has no further pension liability.

For employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund, a pension liability is established. This liability is determined actuarially every three years with the balances for the intervening years being determined by a formula provided by the actuary. Actuarial gains and losses are recognized in income immediately.

The Corporation also makes contributions for employees and officers to a money purchase pension plan at prescribed rates.



(h) Financial instruments

Financial risk

> Financial risk is the risk to the Corporation's earnings that arises from fluctuations in interest rates and the degree of volatility of these rates. The Corporation does not use derivative instruments to reduce its exposure to interest, though risks associated with interest rate fluctuations are mitigated through the use of fixed-rate long-term debt.

Credit risk

> Credit risk arises from the potential that a counter party will fail to perform its obligations. The Corporation mitigates this risk through its credit management and collection practices.

Currency risk

> Currency risk is the risk to the Corporation's earnings that arises from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Corporation mitigates this risk through its contract and purchasing practices.

The Corporation's financial instruments consist of cash, accounts receivable, accounts payable and accruals, payable to the Province of Manitoba, and long-term debt. It is management's opinion that the Corporation is not exposed to significant interest, credit or currency risks. Unless otherwise stated, the fair value of these financial instruments approximates their carrying values.

(i) Foreign currency translation

Monetary assets and liabilities are translated at the year-end exchange rate while non-monetary assets and liabilities and revenues and expenses are translated at the exchange rate prevailing on the transaction date. All exchange gains and losses are reflected in earnings during the period they occurred.

(j) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

(k) Promotional allowances

The retail value of food, beverages and other items provided on a complimentary basis to customers has been included in gross revenue and a corresponding amount has been deducted as promotional allowances. Costs of providing promotional allowances have been included in operating expenses.

3. Accounts Receivable

	2007	2006
Western Canada Lottery Corporation	**$ 9,011**	$ 5,603
Trade	**6,371**	5,453
First Nations	**2,001**	1,199
Goods and services tax	**412**	272
Employee computer program	**204**	188
Lottery retailers	**105**	105
	$ 18,104	$ 12,820

4. Inventories

	2007	2006
Replacement parts	**$ 1,414**	$ 1,855
Bingo paper	**306**	524
Breakopen tickets	**208**	365
Restaurant	**107**	91
Store merchandise	**92**	86
	$ 2,127	$ 2,921

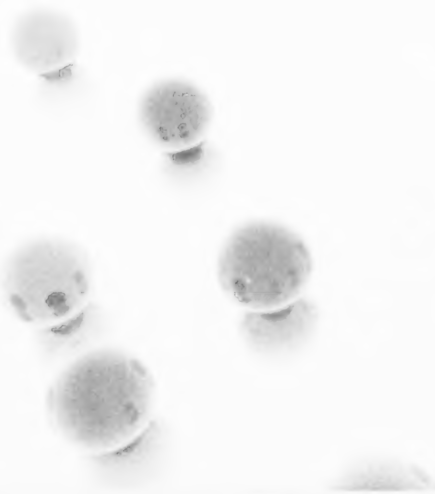
5. Prepaid Expenses

		2007		2006
Manitoba Gaming Control Commission fees	**$**	**1,617**	$	1,608
Maintenance contracts		**1,119**		709
Insurance		**428**		437
Entertainer & sponsorship deposits		**338**		186
Rent		**86**		73
Other		**82**		74
	$	**3,670**	$	3,087

6. Property and Equipment

		2007				
		Cost		**Accumulated Amortization**		**Net Book Value**
Land	**$**	**5,798**	**$**	**-**	**$**	**5,798**
Furniture and equipment		**86,069**		**61,808**		**24,261**
Gaming equipment		**121,187**		**68,660**		**52,527**
Casino stages		**5,972**		**5,972**		**-**
Buildings and parking lots		**151,210**		**56,514**		**94,696**
Leasehold improvements		**5,643**		**5,229**		**414**
Capital lease – building		**688**		**223**		**465**
Assets related to First Nations Casino [see note 13]		**10,869**		**5,092**		**5,777**
	$	**387,436**	**$**	**203,498**	**$**	**183,938**

		2006				
		Cost		Accumulated Amortization		Net Book Value
Land	$	5,798	$	-	$	5,798
Furniture and equipment		73,024		56,076		16,948
Gaming equipment		126,961		53,645		73,316
Casino stages		5,972		3,822		2,150
Buildings and parking lots		162,864		51,833		111,031
Leasehold improvements		5,643		5,189		454
Capital lease – building		688		197		491
Assets related to First Nations Casino [see note 13]		11,765		3,523		8,242
	$	392,715	$	174,285	$	218,430



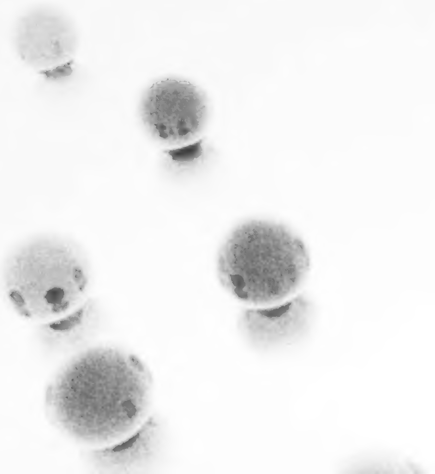
7. Other Assets

The Corporation has entered into an agreement for the right to use 22.28 acres of land for 200 years. The land is being used for parking facilities at the McPhillips Street Station Casino. The facilities became available for use during the 2004 fiscal year, at which time the Corporation began amortizing the asset over the life of the adjacent Casino. The asset is presented net of accumulated amortization of $849 (2006 - $603) [see note 2 (d)].

8. Accounts Payable and Accruals

	2007	2006
Trade	**$ 21,935**	$ 17,670
Vacation	**5,391**	5,103
Interest	**939**	1,143
Jackpot provision	**680**	942
Province of Manitoba taxes	**625**	206
	$ 29,570	$ 25,064

9. Long-Term Debt	**2007**	2006
Province of Manitoba, bearing interest at 6.95%, interest only payable semi-annually, with all principal due at maturity on August 30, 2010.	**$ 135,000**	$ 135,000
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal installments of $1,500 plus interest until October 17, 2007. The interest rate on the debt at March 31, 2007 was 4.57%.	**4,159**	30,000
Province of Manitoba, bearing interest at 5.25%, repayable in quarterly principal installments of $1,071 plus interest until June 30, 2011.	**18,214**	22,500
Province of Manitoba, bearing interest at 4.625%, repayable in quarterly principal installments of $1,071 plus interest until September 30, 2011.	**19,286**	23,571
Province of Manitoba, bearing interest at the prevailing Bankers Acceptance rate plus ¼ of 1%, repayable in quarterly principal installments of $679 plus interest until May 10, 2012. The interest rate on the debt at March 31, 2007 was 4.57%.	**14,250**	16,964
Province of Manitoba, bearing interest at 4.875%, repayable in monthly principal installments of $43 plus interest until March 31, 2009.	**1,029**	1,828
Province of Manitoba, bearing interest at 4.050%, repayable in monthly principal installments of $84 plus interest until August 31, 2012.	**5,478**	7,242
Capital lease obligation to the Province of Manitoba, with a 7.63% implicit interest rate and annual minimum lease payments of $64 until July 13, 2017.	**435**	465
	197,851	237,570
Less current portion of long-term debt and capital lease obligation	**17,003**	19,068
	$ 180,848	$ 218,502



Annual payments in future years are as follows:

	Loans	Capital Lease Principal	Capital Lease Interest
2008	$ 16,971	$ 32	$ 32
2009	12,811	35	30
2010	12,297	37	27
2011	147,297	40	24
2012	6,940	43	21
Subsequent years	1,100	248	51
	$ 197,416	$ 435	$ 185

The fair market value of long-term debt at March 31, 2007 is $209,746.

10. Provision for Employee Pension Benefits

The pension expense related to the Corporation's contributions to the Civil Service Superannuation Fund is $2,426 (2006 - $2,004).

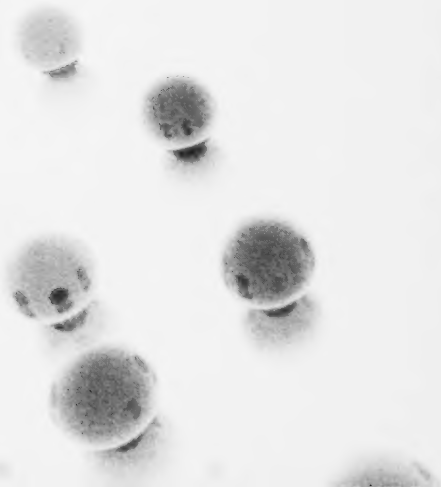
A pension liability of $324 (2006 - $278) has been established for employees whose annual earnings exceed the limit under the Civil Service Superannuation Fund plan. A loss of $18 was experienced in the current year based on the triennial actuarial report of pension obligations as at December 31, 2004, and is included in the above pension expense.

The pension expense related to the Corporation's contributions to the money purchase plan is $353 (2006 - $544).

11. Segmented Information

The Corporation's management has designated the areas of Video Lotto, Casinos and Lottery as its operating segments. All indirect costs have been allocated to the operating segments. A summary of these operating segments is as follows:

2007	Video Lotto	Casinos of Winnipeg	Lottery	Total
Revenue				
Revenue	$ 324,675	$ 172,178	$ 202,692	$ 699,545
Cost of sales	97,662	10,650	132,976	241,288
	227,013	161,528	69,716	458,257
Expenses				
Operating expenses	9,840	98,884	4,501	113,225
Amortization	12,767	16,469	-	29,236
Interest expense - long-term	4,816	7,956	241	13,013
Goods and services tax	4,062	452	108	4,622
	31,485	123,761	4,850	160,096
Income before Allocations and Payments	195,528	37,767	64,866	298,161
Allocations and Payments	4,265	5,800	5,376	15,441
Net Income	$ 191,263	$ 31,967	$ 59,490	$ 282,720



2006	Video Lotto	Casinos of Winnipeg	Lottery	Total
Revenue				
Revenue	$ 325,041	$ 161,692	$ 182,561	$ 669,294
Cost of sales	95,614	7,975	117,857	221,446
	229,427	153,717	64,704	447,848
Expenses				
Operating expenses	9,870	89,831	4,368	104,069
Amortization	12,359	19,647	-	32,006
Interest expense - long-term	5,119	8,132	240	13,491
Goods and services tax	5,837	313	544	6,694
	33,185	117,923	5,152	156,260
Income before Allocations and Payments	196,242	35,794	59,552	291,588
Allocations and Payments	3,578	5,612	5,338	14,528
Net Income	$ 192,664	$ 30,182	$ 54,214	$ 277,060

12. Allocations and Payments

(a) Provinces of Alberta and Saskatchewan

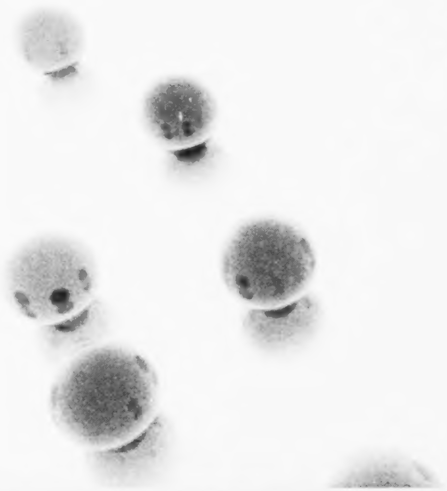
The Province of Manitoba is a member in the Western Canada Lottery Corporation (WCLC). An agreement is in place with the other members to provide economic benefit equalization. The cost to the Corporation for this allocation for the 2007 fiscal year is $2,816 (2006 - $2,794).

(b) Payment to Government of Canada

Effective January 1, 1980 the Government of Canada terminated its involvement in lotteries. In return, the ten provinces are to contribute an annual sum of $24,000, adjusted for inflation, to the Federal Government. The Province of Manitoba's share for the 2007 fiscal year is $2,292 (2006 - $2,278).

(c) Gaming Commission Fees & Crown Levy

The Corporation provides funding to the Manitoba Gaming Control Commission (MGCC) through payment of annual registration fees for electronic gaming machines and employees. The Corporation also provides funding to the Crown Corporations Council through the payment of an annual levy. Funding provided to MGCC and Crown Corporations Council in the 2007 fiscal year is $2,366 (2006 - $2,327).



(d) Responsible Gaming Funding

Funding to the Addictions Foundation of Manitoba (AFM) and other organizations for their responsible gaming research and programming for the 2007 fiscal year is $2,781 (2006 - $2,696).

(e) Charitable and Community Organizations

The Corporation provides over four hundred charitable and community organizations the opportunity to raise funds for their organizations by assisting the Corporation in the bingo events held at its casinos and providing funding to various community groups throughout Manitoba. Payments made to these organizations for the 2007 fiscal year amount to $5,186 (2006 - $4,433).

13. First Nations Casinos

The Government of Manitoba has overall control over gaming in Manitoba in accordance with the requirements of the Criminal Code of Canada, and has appointed MLC to act as its agent in the Conduct and Management of the gaming regime. Through a selection process, the Government has provided certain First Nations the opportunity to operate casinos, with MLC maintaining the Conduct and Management authority over these casinos. Effective December 1, 2005, the Corporation received approval from MLC's Board of Directors to discontinue the recovery of general administrative and compliance costs from First Nations Casinos and to provide these services only upon request on a fee for service basis. The Corporation will continue to recover all direct and/or gaming related expenses.

14. Future Commitments and Contingencies

(a) Lease Obligations

The future minimum rental payments relating to operating leases are as follows:

2008	$	1,150
2009		896
2010		566
2011		340
2012		301
Subsequent years		1,541
	$	4,794

(b) Incident to the nature of its business, the Corporation is defending various legal actions and claims that are pending. While the outcome of these claims cannot be determined, management is of the opinion that the appropriate provisions have been made in the accounts, and the ultimate outcome will not have a material adverse effect on the Corporation's financial position.

(c) The Corporation entered into a VLT revenue sharing agreement with the Manitoba Jockey Club Inc., in the amount of $14,750 that covered the period of January 1, 2004 to December 31, 2006. This agreement was amended in April 2005 to extend MLC's commitment by another two years to December 31, 2008. Manitoba Jockey Club Inc., will receive $5,000 annually plus an additional 20% commission on net VLT revenues over $5,000.

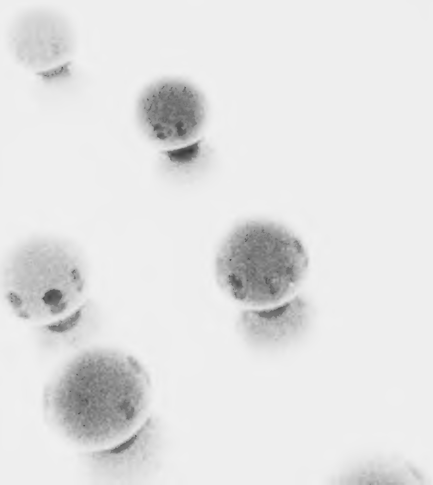
(d) During the year the Corporation maintains its commitment to spend 2% of its net income over five years for responsible gaming research and programming. It is anticipated that the commencement of expenditures will occur in the 2008 fiscal year.

(e) During the year the Corporation committed to replacing the aging Video King gaming system at the Casinos of Winnipeg. The estimated cost of this replacement is $18,000.

15. Supplementary Cash Flow Information	**2007**	2006
Net decrease (increase) in current assets		
Accounts receivable	**$ (5,284)**	$ (2,889)
Inventories	**794**	287
Prepaid expenses	**(583)**	(609)
	(5,073)	(3,211)
Net increase (decrease) in current liabilities		
Accounts payable and accruals	**4,506**	(819)
	4,506	(819)
Net change in non-cash working capital	**$ (567)**	$ (4,030)

16. Comparative Figures

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the current year financial statements.



consolidated schedule of net income

FOR THE YEAR ENDED MARCH 31, 2007 (IN THOUSANDS)

	2007	2006
Revenue		
Revenue	**$ 699,545**	$ 669,294
Cost of sales	**241,288**	221,446
	458,257	447,848
Expenses		
Operating expenditures		
Salaries and benefits	**75,687**	72,290
Maintenance equipment	**11,507**	8,994
Tourism marketing	**6,492**	4,612
Property taxes	**3,982**	3,133
Utilities	**2,314**	2,386
Postage, printing and supplies	**4,053**	2,878
Consulting and legal fees	**1,740**	2,664
Telecommunications	**1,786**	1,631
Transportation and vehicles	**1,575**	1,529
Community support	**1,499**	1,275
Sundry	**2,590**	2,677
	113,225	104,069
Amortization	**29,236**	32,006
Interest expense - long-term	**13,013**	13,491
Goods and services tax	**4,622**	6,694
	160,096	156,260
Income before Allocations and Payments	**298,161**	291,588
Allocations and Payments	**15,441**	14,528
Net Income	**$ 282,720**	$ 277,060

(see accompanying notes to the consolidated financial statements)

Financial Statements
March 31, 2007

AUDITORS' REPORT

To the Board of Directors of

Manitoba Product Stewardship Corporation

We have audited the balance sheet of **Manitoba Product Stewardship Corporation** as at March 31, 2007 and the statements of operations and fund balance and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
May 29, 2007

Chartered Accountants

Manitoba Product
Stewardship Corporation
Incorporated under the laws of Manitoba

BALANCE SHEET

As at March 31, 2007

	2007 $	2006 $
ASSETS		
Current		
Cash and cash equivalents [note 2]	**2,820,897**	2,918,041
Interest receivable	**13,080**	10,581
Grant receivable – school programs [note 3]	**—**	58,331
Levies receivable	**844,986**	745,328
Prepaid expenses and deposits	**12,379**	12,849
Total current assets	**3,691,342**	3,745,130
Capital assets [note 4]	**22,485**	16,874
	3,713,827	3,762,004
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable and accrued liabilities	**72,070**	84,060
Recycling support payments payable	**1,489,156**	1,579,152
Total current liabilities	**1,561,226**	1,663,212
Fund balance		
Multi-Material WRAP Fund	**2,152,601**	2,098,792
	3,713,827	3,762,004

See accompanying notes

On behalf of the Board:

Director

Director

Manitoba Product
Stewardship Corporation

STATEMENT OF OPERATIONS AND FUND BALANCE

Year ended March 31, 2007

	2007 $	2006 $
REVENUE		
Beverage levy revenue	**8,749,251**	8,024,604
Levy rebates	**(283,522)**	(225,198)
Provincial grant – school programs [note 3]	—	576,798
Interest	**131,519**	77,617
	8,597,248	8,453,821
EXPENSES		
Programs		
Municipal		
Recycling support payments to municipalities	**7,842,306**	7,389,607
Municipal support	**38,637**	53,108
	7,880,943	7,442,715
Steward		
Compliance of WRAP Act	**61,259**	45,111
School [note 3]		
STAR – school honorariums	—	342,500
STAR Plus – post secondary	—	133,230
School promotion and education	—	101,06
	—	576,798
Corporate promotion/partnerships		
Advertising and promotion	**3,568**	8,531
Partnerships/sponsorships	**5,000**	5,000
	8,568	13,531
	7,950,770	8,078,155
Administrative [schedule]	**592,669**	611,436
	8,543,439	8,689,591
Excess of expenses over revenue (expenses over revenue) for the year	**53,809**	(235,770)
Fund balance, beginning of year	**2,098,792**	2,334,562
Fund balance, end of year	**2,152,601**	2,098,792

See accompanying notes

Manitoba Product
Stewardship Corporation

STATEMENT OF CASH FLOWS

Year ended March 31, 2007

	2007 $	2006 $
OPERATING ACTIVITIES		
Excess of expenses over revenue (expenses over revenue) for the year	**53,809**	(235,770)
Add charges to operations not requiring a current cash payment		
Amortization	**6,931**	5,516
	60,740	(230,254)
Net change in non-cash working capital balances related to operations		
Interest receivable	**(2,499)**	582
Grant receivable	**58,331**	(58,331)
Levies receivable	**(99,658)**	(775)
Prepaid expenses and deposits	**470**	477
Accounts payable and accrued liabilities	**(11,990)**	8,532
Recycling support payments payable	**(89,996)**	197,738
Cash used in operating activities	**(84,602)**	(82,031)
INVESTING ACTIVITIES		
Purchase of capital assets	**(12,542)**	(7,303)
Cash used in investing activities	**(12,542)**	(7,303)
Decrease in cash during the year	(97,144)	(89,334)
Cash and cash equivalents, beginning of year	**2,918,041**	3,007,375
Cash and cash equivalents, end of year	**2,820,897**	2,918,041

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Manitoba Product Stewardship Corporation ["MPSC"] was established under the Waste Reduction and Prevention Act ["WRAP"] – Multi-Material Stewardship (Interim Measures) Regulations [the "Regulations"] with the following objectives:

[a] To establish and administer a waste reduction and prevention program for designated materials for Manitoba;

[b] To provide for the effective, efficient and economical management of waste designated materials; and

[c] To administer the Multi-Material WRAP Fund.

The Multi-Material WRAP Fund is an industry-operated fund which provides for, among other initiatives, recycling support payments to municipal and local governments for eligible materials recovered from residential waste and delivered to an approved recycling facility. The Fund is currently funded by collection of levies on beverage containers supplied by a steward of beverage containers (Product Steward) to be consumed in Manitoba.

MPSC is exempt from income tax under Section 149 of the Income Tax Act.

Going concern considerations

A Special Operating Agency has been established by the Government of the Province of Manitoba called Green Manitoba. The Province of Manitoba and its Special Operating Agency Green Manitoba have announced their intention of transitioning MPSC to an Industry Funding Organization ["IFO"], Multi Material Stewardship Manitoba. There have been no transactions between MPSC and this entity. Three of the ten Directors of MPSC are also Directors of Multi Material Stewardship Manitoba. The wind-up of MPSC is subject to legislative approval. The potential impact of the wind-up of the operations of MPSC is currently not determinable.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles on a going concern basis, which presumes the MPSC will realize its assets and discharges its liabilities in the normal course of operations. The financial statements do not give effect to any adjustments to the classification and carrying values of assets and liabilities that might be necessary should MPSC be unable to continue its operations as a going concern.

Manitoba Product
Stewardship Corporation

NOTES TO FINANCIAL STATEMENTS, March 31, 2007, cont.

Levy revenue and recycling support payments to municipalities

Levy revenue is charged on all non-deposit [excluding dairy] beverage containers supplied for consumption in Manitoba, subject to certain exemptions, by a Product Steward. Pursuant to the Regulations, a Product Steward is defined as the first person or business in Manitoba who, in the course of business, supplies beverages in containers to another person or business. Beverage levy revenue is recognized based on revenue as reported by the Product Stewards to MPSC, and when the amount is received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Product Stewards are eligible for credits if the beverage containers on which levies have been previously paid were supplied to consumers outside of Manitoba or if the levies are inadvertently paid by two Product Stewards on the same beverage containers. Levies are collected and credits are paid based on self assessments as reported by Product Stewards.

Recycling Support Payments to municipalities are paid to registered Manitoba municipalities based on the tonnage of eligible materials delivered to an approved recycling facility as reported by the municipalities to MPSC.

Cash and cash equivalents

Cash and cash equivalents are recorded as cost and include cash and short-term investments with maturities at the date of purchase of up to three months.

Capital assets

Capital assets are recorded at cost less accumulated amortization. Amortization is provided for by the following annual rates and methods:

Furniture and fixtures	20%	declining balance
Computer hardware	30%	declining balance
Computer software	100%	straight line

Financial instruments

Financial instruments include cash and cash equivalents, interest receivable, grant receivable, levies receivable, accounts payable and accrued liabilities and recycling support payments payable. It is management's opinion that MPSC is not exposed to significant interest, currency, or credit risks arising from these financial instruments. Due to their short-term nature, the book value of MPSC's financial assets and liabilities approximates their fair value.

Use of estimates
The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

Included in cash and cash equivalents are term deposits , held in trust by the Department of Finance of the Province of Manitoba of $1,040,476 [2006 - $1,000,000]. The term deposits bear interest at 4.10% [2006 – 3.55%] per annum and mature on April 30, 2007.

3. PROVINCIAL GRANT FOR SCHOOL PROGRAMS

Manitoba Conservation and MPSC entered into a Memorandum of Understanding on September 1, 2005 regarding the funding support for the delivery of MPSC's school and youth programs. Effective March 31, 2006, this agreement terminated and MPSC is no longer administering school recycling funding.

4. CAPITAL ASSETS

	2007			2006		
	Cost $	Accumulated amortization $	Net book value $	Cost $	Accumulated amortization $	Net book value $
Furniture and fixtures	26,405	21,063	5,342	25,461	19,845	5,616
Computer						
Hardware	93,628	76,485	17,143	82,030	71,624	10,406
Software	149,487	149,487	—	149,487	148,635	852
	269,520	**247,035**	**22,485**	**256,978**	**240,104**	**16,874**

5. LEASE COMMITMENTS

MPSC rents office space and equipment under various leases with commitments totalling $54,312 for fiscal 2008.

RESPONSIBILITY FOR FINANCIAL STATEMENTS

The financial statements are the responsibility of management and are prepared in accordance with Canadian generally accepted accounting principles. The financial information contained elsewhere in the annual report is consistent with that in the financial statements. The financial statements necessarily include amounts that are based on management's best estimate and judgements which have been reached based on careful assessment of data available through the corporation's information systems. In the opinion of management, the accounting practices utilized are appropriate in the circumstances and the financial statements fairly reflect the financial position and results of operations of the corporation.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by the Internal Audit Department.

The financial statements were approved by the Board of Directors, which has overall responsibility for their contents. The Board of Directors is assisted with this responsibility by its Audit Committee (the "Committee"), which consists primarily of Directors not involved in the daily operations of the corporation.

The general responsibilities of the Committee are categorized into the following: review of financial reporting, review of internal controls and processes, review of actuarial functions, monitoring of corporate integrity, compliance with authorities and review of performance reporting. The Committee's role is that of oversight in these areas in order to ensure management processes are in place and functioning so as to identify and minimize risks to the business operations.

In carrying out the above responsibilities, this Committee meets regularly with management, and with both the corporation's external and internal auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to the external and internal auditors.

The Committee is responsible for the review of the actuarial function. As well, the Committee recommends, for approval, the appointment of the external actuary and his fee arrangements to the Board of Directors. The actuary is responsible for ensuring that the assumptions and methods used in the valuation of policy and claims liabilities are in accordance with accepted actuarial practice, applicable legislation and associated regulations or directives. In addition, the actuary provides an opinion regarding the valuation of policy and claims liabilities at the balance sheet date to meet all policyholder obligations of the corporation. Examination of supporting data for accuracy and completeness of assets and their ability to meet the policy and claims liabilities are important elements in forming the actuary's opinion.

KPMG LLP, the corporation's appointed external auditors, have audited the financial statements. Their Auditors' Report is included herein. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary in order to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position of the corporation in accordance with Canadian generally accepted accounting principles.

M. J. McLaren
President and Chief Executive Officer
April 26, 2007

B. W. Galenzoski
Vice-President Corporate Finance
Chief Financial Officer and
Chief Administration Officer

AUDITORS' REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

We have audited the balance sheet of Manitoba Public Insurance Corporation as at February 28, 2007 and the statements of operations, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at February 28, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants
Winnipeg, Canada
April 26, 2007

ACTUARY'S REPORT

To the Board of Directors of Manitoba Public Insurance Corporation:

I have valued the policy liabilities of Manitoba Public Insurance Corporation for its balance sheet at February 28, 2007 and their change in the statement of operations for the year then ended in accordance with accepted actuarial practice, including selection of appropriate assumptions and methods.

In my opinion, the amount of policy liabilities makes appropriate provision for all policyholder obligations and the financial statements fairly present the results of the valuation.

Jim Christie

James K. Christie
Fellow, Canadian Institute of Actuaries
Winnipeg, Manitoba
April 26, 2007

FINANCIAL STATEMENTS

STATEMENT OF OPERATIONS

	(in thousands of dollars)	
Revenue		
Premiums written	**$ 812,378**	$ 779,316
Premiums earned (Note 8)	**$ 798,811**	$ 762,613
Service fees	**18,387**	15,795
Driver licensing operations recovery (Note 17)	**20,475**	21,000
Total earned revenues	**837,673**	799,408
Claims Costs		
Claims incurred (Note 8)		
Current year	**688,952**	627,698
Prior years (Note 7)	**(60,582)**	(11,108)
	628,370	616,590
Claims expense	**79,850**	78,586
Loss prevention/Road safety	**23,469**	12,041
	731,689	707,217
Expenses		
Commissions	**55,148**	51,868
Operating	**79,849**	74,285
Premium taxes	**20,803**	23,345
Regulatory/Appeal	**2,221**	3,452
	158,021	152,950
Total claims and expenses	**889,710**	860,167
Underwriting loss	**(52,037)**	(60,759)
Investment income, net (Note 10)	**120,425**	166,568
Net income from annual operations (Note 12)	**68,388**	105,809
Surplus distribution (Note 13)	**(59,652)**	(58,000)
Net income after surplus distribution	**$ 8,736**	$ 47,809

The accompanying notes are an integral part of these financial statements.

BALANCE SHEET

[illegible]	[illegible]	[illegible]
Assets	(in thousands of dollars)	
Cash and investments (Note 4)	**$ 2,015,010**	$ 1,887,922
Due from other insurance companies	**10**	7
Accounts receivable	**247,140**	232,902
Deferred policy acquisition costs	**17,002**	28,676
Reinsurers' share of unearned premiums	**10,027**	9,845
Reinsurers' share of unpaid claims (Note 7)	**27,844**	24,259
Property and equipment (Note 5)	**29,871**	31,409
Deferred development costs	**10,827**	3,875
	2,357,731	2,218,895
Liabilities and Retained Earnings		
Due to other insurance companies	**8,993**	8,824
Accounts payable and accrued liabilities	**92,562**	93,906
Unearned premiums	**403,929**	385,827
Provision for employee current benefits	**13,779**	12,695
Provision for employee future benefits (Note 6)	**166,472**	151,744
Provision for unpaid claims (Notes 7 and 11)	**1,399,748**	1,302,387
	2,085,483	1,955,383
Basic insurance retained earnings		
Rate stabilization reserve	**128,122**	136,071
Immobilizer incentive fund	**33,143**	37,063
	161,265	173,134
Competitive lines retained earnings (Note 14)	**110,983**	90,378
	272,248	263,512
	$ 2,357,731	$ 2,218,895

The accompanying notes are an integral part of these financial statements.

Approved by the Board:

Shari Decter Hirst
Chairperson

Kerry Bittner
Director

STATEMENT OF RETAINED EARNINGS

Years ended February 28	2007	2006
Basic Insurance		(in thousands of dollars)
Rate Stabilization Reserve		
Balance beginning of year	**$ 136,071**	$ 126,004
Net income (loss) from annual operations after surplus distribution (Notes 12 and 13)	**(11,869)**	27,703
Transfer from Competitive Lines (Note 14)	**–**	19,427
Transfer (to) from Immobilizer Incentive Fund	**3,920**	(37,063)
Balance end of year	**128,122**	136,071
Immobilizer Incentive Fund		
Balance beginning of year	**37,063**	–
Transfer (to) from Rate Stabilization Reserve	**(3,920)**	37,063
Balance end of year (Note 18)	**33,143**	37,063
Balance Basic Insurance Retained Earnings end of year	**161,265**	173,134
Competitive Lines		
Balance beginning of year	**90,378**	89,699
Net income from annual operations (Note 12)	**20,605**	20,106
Transfer to Basic Rate Stabilization Reserve (Note 14)	**–**	(19,427)
Balance Competitive Lines Retained Earnings end of year	**110,983**	90,378
Balance Retained Earnings end of year	**$ 272,248**	$ 263,512

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CASH FLOWS

Years ended February 28	2007	2006
Cash Flows from (to) Operating Activities:	(in thousands of dollars)	
Net income after surplus distribution	**$ 8,736**	$ 47,809
Non-cash items:		
Amortization of property and equipment and deferred development costs	**5,948**	5,528
Amortization of bond discount and premium	**5,611**	(1,646)
Gain on sale of investments	**(21,975)**	(23,089)
Write-down of investments	**1,058**	3,025
	(622)	31,627
Net change in non-cash balances:		
Due from other insurance companies	**(3)**	42
Accounts receivable	**(14,238)**	(10,250)
Deferred policy acquisition costs	**11,674**	(10,018)
Reinsurers' share of unearned premiums and unpaid claims	**(3,767)**	23,941
Due to other insurance companies	**169**	(2,724)
Accounts payable and accrued liabilities	**(1,344)**	64,760
Unearned premiums	**18,102**	15,281
Provision for employee current benefits	**1,084**	940
Provision for employee future benefits	**14,728**	16,563
Provision for unpaid claims	**97,361**	106,188
	123,766	204,723
	123,144	236,350
Cash Flows from (to) Investing Activities:		
Acquisition of property and equipment net of proceeds from disposals	**(3,612)**	(5,064)
Purchase of investments	**(637,320)**	(762,531)
Proceeds from sale of investments	**492,304**	566,913
Deferred development costs incurred	**(7,750)**	(4,041)
	(156,378)	(204,723)
Increase (Decrease) in Cash and Short-Term Investments	**(33,234)**	31,627
Cash and short-term investments beginning of year	**90,334**	58,707
Cash and Short-Term Investments end of year (Note 4)	**$ 57,100**	$ 90,334

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS FEBRUARY 28, 2007

1. Status of the Corporation

The Manitoba Public Insurance Corporation (the "corporation") was incorporated as a Crown corporation under *The Automobile Insurance Act* in 1970. In 1974, *The Automobile Insurance Act* was revised and became *The Manitoba Public Insurance Corporation Act* (Chapter A180 of the continuing consolidation of the Statutes of Manitoba). In 1988, the Act was re-enacted in both official languages as Chapter P215 of the Statutes of Manitoba.

Under the provisions of its Act and regulations, the corporation operates an automobile insurance division and a discontinued general insurance division. The lines of business for the automobile insurance division provide for basic universal compulsory automobile insurance, extension and special risk coverages. For financial accounting purposes, the lines of business for the automobile insurance division and the discontinued general insurance division are regarded as separate operations and their revenues and expenses are allocated on a basis described in the summary of significant accounting policies. For financial reporting purposes, due to the immateriality of the financial results of the discontinued general insurance operations (note 11), the operations are reported as part of the Special Risk Extension line of business. The basic universal compulsory automobile insurance line of business is subject to regulation by the Public Utilities Board (PUB) of Manitoba with respect to insurance rates and service fees (note 20).

Operations pertaining to driver safety, vehicle registration and driver licensing including all related financial, administrative and data processing services were transferred to the corporation, from the Province of Manitoba, effective October 4, 2004.

2. Basis of Reporting

The financial statements of the corporation are in such form as prescribed by Section 43(1) of *The Manitoba Public Insurance Corporation Act* and are presented in accordance with Canadian generally accepted accounting principles.

The external actuary is appointed by the Board of Directors of the corporation. With respect to preparation of these financial statements, the external actuary is required to carry out a valuation of the policy liabilities and to report thereon to the corporation's Board of Directors.

The external actuary also uses the work of the external auditors in his verification of the information prepared by the corporation used in the valuation of the policy liabilities.

The external auditors are appointed by the Lieutenant Governor in Council to conduct an independent and objective audit of the financial statements of the corporation in accordance with Canadian generally accepted auditing standards. In carrying out their audit, the external auditors also make use of the work of the external actuary and his report on the corporation's policy liabilities. The external auditors' report outlines the scope of their audit and their opinion.

3. Summary of Significant Accounting Policies

This summary outlines those accounting policies followed by the corporation which have a significant effect on the financial statements.

INVESTMENTS

Funds available for investments are invested by the Department of Finance, on behalf of the corporation, in accordance with Section 12(1) of *The Manitoba Public Insurance Corporation Act*.

Investments in bonds are carried at amortized costs. The applicable discounts or premiums are amortized over the life of the bond.

Investments in equities and other investments are carried at cost. Dividends on equity investments are recognized on an accrual basis.

Gains and losses on investments are recognized on the settlement date. Investments are written down to market value when there is a decline in value that is considered other than temporary.

The corporation has invested in an equity-linked note that is similar to a bond instrument, except for the interest component which is indexed to the Standard & Poor's 500 Composite Stock Price Index. Any interest component arising from changes in the index is recorded currently in the Statement of Operations under the heading "Investment income, net".

DEFERRED POLICY ACQUISITION COSTS

Commissions and premium taxes are deferred and charged to expense over the term of the insurance contract to which such costs relate.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated amortization. Amortization is provided on a straight-line basis which will amortize the cost of each asset over its estimated useful life:

• Land improvements	25 years
• Buildings	40 years
• Equipment:	
Data processing	3 years
Automotive	5 years
Other	10 years

Leasehold improvements are amortized over the term of the lease plus the first renewal period.

DEFERRED DEVELOPMENT COSTS

The costs of developing major information systems which are expected to be of continuing benefit to the corporation are deferred to future periods. These information system expenditures are stated at cost net of accumulated amortization and are amortized on a straight-line basis over five years.

UNEARNED PREMIUMS

The liability for unearned premiums is the portion of premiums that relate to the unexpired term of each insurance contract.

PROVISION FOR EMPLOYEE BENEFITS

Provision for Employee Current Benefits

The provision for employee current benefits includes an accrual for vacation pay determined in accordance with the Collective Agreement.

Provision for Employee Future Benefits

Included in the provision for employee future benefits are the pension benefit plan and other benefit plans.

i) Pension Benefit Plan

The employees of the corporation are members of a defined benefit pension plan administered under *The Civil Service Superannuation Act*. Included in the accounts is a provision for the employer's future pension liability calculated on an indexed basis. The provision for pension is actuarially determined on an annual basis using the projected benefit method prorated on services. The actuarial present value of the accrued pension benefits is measured using the corporation's best estimates based on assumptions relating to market interest rates at the measurement date based on high quality debt instruments, salary changes, withdrawals and mortality rates. Changes in experience gains and losses are recognized in the current period.

ii) Other Benefit Plans

Other benefit plans consist of post-retirement extended health and severance pay benefits.

The provision for post-retirement extended health benefits is actuarially determined on an annual basis using the projected benefit method prorated on services, which includes the corporation's best estimates based on assumptions relating to retirement ages of employees and expected health costs.

Employees of the corporation are entitled to severance pay in accordance with the Collective Agreement and corporation policy. The provision for severance pay is actuarially determined on an annual basis using the projected benefit method prorated on services, without salary projection, which includes the corporation's best estimates based on assumptions relating to the proportion of employees that will ultimately retire.

PROVISION FOR UNPAID CLAIMS

The provision for unpaid claims represents an estimate for the full amount of all costs, including adjustment expenses, and the projected final settlements of claims incurred to the balance sheet date. These provisions take into account the time value of money. These estimates of future loss activity are necessarily subject to uncertainty and are selected from a wide range of possible outcomes. To recognize the uncertainty in establishing these estimates and to allow for possible deterioration in experience, actuaries include explicit margins for adverse deviation in their assumptions. These provisions are adjusted up or down as additional information affecting the estimated amounts becomes known during the course of claims settlement. All changes in estimates are recorded as incurred claims in the current period.

SALVAGE AND SUBROGATION

Recoveries from salvage and subrogation are recorded as an offset to claim costs. Expected future subrogation recoveries are included in the provision for unpaid claims.

PREMIUM DEFICIENCIES

A premium deficiency exists when future claims and related expenses exceed unearned premiums.

Premium deficiencies are recognized first by writing down the deferred policy acquisition costs with any remainder recognized as a liability.

ALLOCATION OF REVENUE, CLAIMS INCURRED AND EXPENSES

Premiums written, premiums earned and claims incurred are allocated directly to the division writing the insurance risk.

Investment income is allocated to the automobile insurance division lines of business and the discontinued general insurance division based on a monthly averaging of the funds available within each division.

Expenses, including claims expense, are allocated to the automobile insurance division lines of business on the following basis:

i) Identifiable direct expenses are charged to each line of business.

ii) Where direct allocation is not possible, expenses are prorated to each line of business based mainly on factors such as space, number of employees and time usage. The formulas developed for the allocation of expenses are approved by the Board of Directors.

REINSURANCE CEDED

Premiums, claims and expenses are reported net of amounts due to and recoverable from reinsurers. Estimates of amounts recoverable from reinsurers on unpaid claims are recorded separately from estimated amounts payable to policyholders.

The reinsurers' share of unearned commissions is recognized as a liability in a manner which is consistent with the method used in determining deferred policy acquisition costs.

The reinsurers' share of unearned premiums is recognized as an asset in a manner which is consistent with the method used in determining the unearned premium liability.

FOREIGN CURRENCY

Monetary items denominated in foreign currencies are adjusted to reflect the exchange rate in effect at the year-end. Revenue and expense items in foreign currencies are translated at the exchange rate in effect at the transaction date. Unrealized gains and/or losses arising on translation are charged to operations in the current year.

The corporation uses currency swaps and forward exchange contracts to manage the currency risk on specific foreign exchange denominated assets. Any gains or losses are recorded in the Statement of Operations under the heading "Investment income, net", on a fair value basis.

BASIC INSURANCE RATE STABILIZATION RESERVE

The Basic Insurance Rate Stabilization Reserve relates to basic universal compulsory automobile insurance and is intended to protect motorists from rate increases made necessary by unexpected events and losses arising from non-recurring events or factors.

IMMOBILIZER INCENTIVE FUND

The Immobilizer Incentive Fund is an appropriation from the Basic Insurance Rate Stabilization Reserve. The fund is used to provide financial resources for vehicle owners to install electronic immobilizers and cover the administrative costs of the program.

RETAINED EARNINGS

Retained earnings are comprised of the accumulation of net income or losses for the Basic, Extension and Special Risk Extension lines of business.

MEASUREMENT UNCERTAINTY

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

4. Cash And Investments

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and short-term investments	**$ 57,100**	**$ 57,100**	$ 90,334	$ 90,334
Bonds				
Federal	**316,144**	**323,899**	334,055	360,399
Manitoba:				
Provincial	**267,507**	**275,412**	193,142	199,741
Municipal	**96,858**	**98,174**	80,638	79,954
Hospitals	**27,130**	**27,108**	27,573	27,349
Schools	**358,637**	**358,637**	311,157	311,157
Other provinces	**332,991**	**346,595**	308,826	331,504
Corporations	**97,068**	**98,161**	117,612	118,956
Equity-linked note	**20,000**	**20,000**	20,000	20,000
	1,516,335	**1,547,986**	1,393,003	1,449,060
Other	**8,091**	**8,710**	7,300	7,792
Equity investments	**433,484**	**481,497**	397,285	422,250
	441,575	**490,207**	404,585	430,042
	$ 2,015,010	**$ 2,095,293**	$ 1,887,922	$1,969,436

Fair value, for cash and short-term investments, approximates carrying value due to the short-term maturity of these financial instruments.

The fair value of bonds for federal, provincial, certain municipal, certain hospitals, other provinces and corporations is estimated based on bid prices of these or similar investments.

The fair value of certain municipal, hospitals, school bonds and other is based on their carrying value which approximates market value.

The fair value of the equity-linked note and equity investments is based upon quoted market values.

INVESTMENT RISK

Investments carry certain financial risks including interest rate, cash flow and credit risk. The corporation manages these risks through the Investment Committee of the Board, which meets quarterly to discuss strategy and review performance and, if required, take remedial action. The investment objectives and goals of the corporation are embodied in an Investment Policy document, which sets target asset allocation and portfolio concentration limits as well as defining the credit quality of the counterparties and the percentage of highly liquid investments required to meet cash flow needs.

Significant terms and conditions, exposure to interest rate and credit risks on investments are:

i) Cash and short-term investments

Cash consists of cash net of cheques issued in excess of amounts on deposit. Included in cash and short-term investments are funds held in trust on behalf of other insurance companies in the amount of $1,168,000 (2006 – $5,523,000).

Short-term investments have a total principal amount of $54,910,000 (2006 – $79,560,000) comprised of provincial short-term deposits with an effective interest rate of 4.05 per cent (2006 – 3.30 per cent to 3.60 per cent), with interest receivable at varying dates.

The corporation has an unsecured operating line of credit with its principal banker in the amount of $5.0 million. There were no drawdowns against this line of credit at February 28, 2007.

ii) Bonds – interest rate risk

		2007		2006	
	Interest Payment Dates	Effective Rate	Coupon Rate	Effective Rate	Coupon Rate
		% Range		% Range	
Federal	semi-annual	**1.79 to 4.71**	**3.55 to 5.75**	1.67 to 4.56	3.00 to 6.00
Provincial	semi-annual	**1.95 to 5.76**	**1.75 to 8.50**	1.70 to 5.76	2.00 to 8.50
Municipal	semi-annual	**4.15 to 12.17**	**4.20 to 12.63**	4.17 to 12.19	5.15 to 12.63
Hospitals	semi-annual	**4.76 to 11.07**	**8.69 to 11.13**	4.98 to 11.10	8.69 to 11.13
Schools	semi-annual	**4.81 to 11.81**	**4.88 to 12.25**	4.81 to 11.83	4.88 to 12.25
Corporations	semi-annual	**3.95 to 5.20**	**3.49 to 11.00**	3.56 to 5.20	3.49 to 11.00

iii) Bonds – maturity profile

(in thousands of dollars)	2007			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	**$ 16,415**	**$ 54,481**	**$ 245,248**	**$ 316,144**
Manitoba:				
Provincial	**9,094**	**71,283**	**187,130**	**267,507**
Municipal	**312**	**15,010**	**81,536**	**96,858**
Hospitals	**–**	**14,192**	**12,938**	**27,130**
Schools	**1,057**	**45,168**	**312,412**	**358,637**
Other provinces	**4,999**	**75,729**	**252,263**	**332,991**
Corporations	**–**	**46,412**	**50,656**	**97,068**
	31,877	**322,275**	**1,142,183**	**1,496,335**
Equity-linked note	**20,000**	**–**	**–**	**20,000**
	$ 51,877	**$ 322,275**	**$ 1,142,183**	**$ 1,516,335**

(in thousands of dollars)	2006			
	Within One Year	One Year to Five Years	After Five Years	Total Carrying Value
Federal	$ 9,956	$ 71,173	$ 252,926	$ 334,055
Manitoba:				
Provincial	–	81,281	111,861	193,142
Municipal	293	10,097	70,248	80,638
Hospitals	–	14,386	13,187	27,573
Schools	1,775	42,658	266,724	311,157
Other provinces	6,869	72,127	229,830	308,826
Corporations	15,001	56,369	46,242	117,612
	33,894	348,091	991,018	1,373,003
Equity-linked note	–	20,000	–	20,000
	$ 33,894	$ 368,091	$ 991,018	$1,393,003

CURRENCY RISK

i) Currency swap

The corporation has entered into a currency swap relating to a Province of Quebec provincial bond denominated in US dollars for $10,000,000. The currency swap provides a fixed 5.76 per cent return in Canadian dollars. The agreement also provides that at predetermined future dates, the corporation pays a fixed 7.5 per cent rate based on the US $10,000,000 par value of the bond and receives 5.76 per cent return based on a Canadian dollar notional value of $13,350,000. The maturity date of the currency swap and the bond is July 15, 2023.

ii) Foreign exchange contracts

The corporation has entered into monthly foreign exchange forward contracts which provide that the corporation sells a specified amount of US dollars at a predetermined forward exchange rate and purchases the same amount of US dollars at the prevailing spot rate on the settlement date. At February 28, 2007, the corporation has contracted to sell US $90,900,000 at a forward rate of 1.167 and purchase the same amount of US dollars at the spot rate on March 31, 2007, which resulted in a gain of $1,200,000.

5. Property and Equipment

(in thousands of dollars)		2007		2006
	Cost	Accumulated Amortization	Carrying Value	Carrying Value
Land	**$ 2,757**	**$ –**	**$ 2,757**	$ 2,730
Land improvements	**4,656**	**2,012**	**2,644**	2,022
Buildings	**27,773**	**11,557**	**16,216**	17,290
Equipment	**53,216**	**45,136**	**8,080**	9,177
	88,402	**58,705**	**29,697**	31,219
Leasehold improvements	**1,760**	**1,586**	**174**	190
	$ 90,162	**$ 60,291**	**$ 29,871**	$ 31,409

6. Provision for Employee Future Benefits

The corporation has a defined benefit pension plan, severance benefit plan and a post-retirement extended health benefit plan, available to eligible employees. The defined benefit pension plan is based on years of service and final average salary whereas the severance benefit plan is based on years of service and final salary.

The corporation uses an actuarial valuation, on an annual basis, to measure the accrued provision for its benefit plans. The most recent actuarial valuation was conducted by an external pension actuary as at December 31, 2006, with the next scheduled actuarial valuation being December 31, 2007.

The actuarial valuation is based on the corporation's best estimate of various economic assumptions. With respect to the demographic assumptions, the corporation relies on and uses the assumptions adopted by the Civil Service Superannuation Board. Results from the most recent actuarial valuation, projected to February 28 and the corresponding economic assumptions are as follows:

	Pension Benefit Plan		Other Benefit Plans	
	2007	2006	2007	2006
Economic assumptions:				
Discount rate	**5.65%**	5.65%	**5.65%**	5.65%
Inflation rate	**2.25%**	2.25%	**–**	–
Expected salary increase	**2.75%**	2.75%	**–**	–
Expected health care cost increase	**–**	–	**7.00%**	7.00%

	Pension Benefit Plan		Other Benefit Plans	
	2007	2006	2007	2006
Balance, beginning of year	**$ 124,368**	$ 110,532	**$ 27,376**	$ 24,649
Current service cost	**6,320**	5,756	**3,072**	2,370
Interest cost	**7,198**	6,461	**447**	343
Benefits paid	**(3,496)**	(2,587)	**(1,626)**	(1,301)
Actuarial valuation deficiency	**2,230**	4,206	**583**	1,315
Provision for employee future benefits	**$ 136,620**	$ 124,368	**$ 29,852**	$ 27,376
Employee contribution for the year	**$ 5,108**	$ 4,865	**$ –**	$ –

PLAN ASSETS

The corporation has not segregated investment assets to fund the benefit plans. Funding occurs as benefits are paid. The corporation has established a provision against general assets, which is being increased to match the increase in its benefit plan liabilities. The interest cost associated with the various benefit plans is based on market interest rates at the most recent valuation date.

(in thousands of dollars)	Pension Benefit Plan		Other Benefit Plans	
	2007	2006	2007	2006
Plan expenses for the year:				
Current service cost	**$ 6,320**	$ 5,756	**$ 3,072**	$ 2,370
Interest cost (Note 10)	**7,198**	6,461	**448**	343
Actuarial valuation deficiency				
Pertaining to interest (Note 10)	**1,404**	2,650	**–**	–
Pertaining to expense	**826**	1,556	**583**	1,315
	$ 15,748	$ 16,423	**$ 4,103**	$ 4,028

7. Provision for Unpaid Claims

The provision for unpaid claims, including adjustment expenses, represents an estimate for the full amount of all costs and the projected final settlement of claims incurred.

The provision for unpaid claims, including adjustment expenses, is subject to variability. This variability is related to future events that arise from the date the loss was reported to the ultimate settlement of the claims. Accordingly, short-tail claims such as physical damage claims tend to be more reasonably predictable than long-tail claims such as public liability claims. Factors such as the receipt of additional claims information during the claims settlement process, changes in severity and frequencies of claims from historical trends and effects of inflationary trends contribute to this variability.

The determination of the provision for unpaid claims, including adjustment expenses, relies on judgment, analysis of historical claim trends, investment rates of return and expectation on the future development of claims. The process of establishing this provision necessarily involves risks which could cause the actual results to deviate, perhaps substantially, from the best determinable estimate.

The provision for unpaid claims, including adjustment expenses, by major claims category includes:

(in thousands of dollars)	2007		2006	
	Gross	Reinsurers' Share	Gross	Reinsurers' Share
Automobile Insurance Division				
Liability	**$ 1,258,744**	**$ 27,812**	$ 1,177,963	$ 24,170
Physical Damage	**135,664**	**32**	119,067	89
	1,394,408	**27,844**	1,297,030	24,259
Discontinued Operations				
Personal/Commercial	**5,340**	**–**	5,357	–
	$ 1,399,748	**$ 27,844**	$ 1,302,387	$ 24,259

The provision for unpaid claims, including adjustment expenses, is discounted using the following discount rates:

	2007	[illegible]
Pre-PIPP Weekly Indemnity	**3.0% per year**	3.0% per year
All other coverages	**5.0% per year**	By year – 5.35% and 5.00% thereafter
PIPP other than death and impairment	**3.0% per year**	3.0% per year

PIPP – Personal Injury Protection Plan

According to accepted actuarial practice, the discounted reserve includes a provision for adverse deviation of $238.2 million (2006 – $224.8 million) comprised of a claims development component of $151.1 million (2006 – $140.3 million) and an interest rate component of $87.1 million (2006 – $84.5 million).

No catastrophic losses are included in net incurred claims and adjustment expenses during the current fiscal year (2006 – $ nil). Catastrophes are an inherent risk to the corporation and may contribute materially to the year-to-year fluctuations in the corporation's results of operations and financial condition when they occur.

Unpaid claims liabilities are carried at values which reflect their remaining estimated ultimate costs for all accident years.

Changes in the estimate of net unpaid claims, recognized during the fiscal year ended February 28, 2007 for prior years, are as follows:

Net unpaid claims (valuation estimate as at February 28, 2006)	$ 302,928	$ 141,187	$ 137,885	$ 696,127	
Net payments for the year	114,433	19,120	8,370	28,220	
	188,495	122,067	129,515	667,907	
Net unpaid claims (revised valuation estimate as at February 28, 2007)	165,087	126,156	100,640	655,519	
(Redundancy) Deficiency	$ (23,408)	$ 4,089	$ (28,875)	$ (12,388)	$ (60,582)
Prior years (redundancy) deficiency		$ (24,664)	$ (8,486)	$ 22,042	$ (11,108)

Changes in the estimate of net unpaid claims for discontinued operations recognized during the fiscal year ended February 28, 2007 are a decrease of $0.1 million (2006 – decrease of $2.4 million). All of the net unpaid claims relate to loss dates prior to October 1, 1990.

The claims settlement processes may involve the use of structured settlements, which are purchased through various financial institutions. As of the balance sheet date, the present value of expected payments total $134.8 million (2006 – $133.5 million) based on various dates of purchase. The corporation assumes a financial guarantee to make payments to claimants in the event that financial institutions default on payments under the terms of the structured settlement.

8. Reinsurance

The corporation follows the practice of obtaining reinsurance to limit its exposure to losses.
Under agreements in effect at February 28, 2007, these reinsurance agreements limit the corporation's exposure to a maximum amount of $5.0 million (2006 – $5.0 million) on any one occurrence.

The reinsurance arrangements also limit the corporation's liability in respect to a series of claims arising out of a single occurrence, including catastrophic claims, to a maximum of $10.0 million (2006 – $10.0 million). These arrangements protect the corporation against losses up to $183.3 million (2006 – $166.7 million).

Certain lines of insurance carry maximum limits lower than these amounts. While these arrangements are made to protect against large losses, the primary liability to the policyholders remains with the corporation.

The corporation evaluates the financial condition of its reinsurers to minimize the exposure to significant losses from reinsurer insolvency. The corporation holds collateral in regards to unregistered reinsurance in the form of letters of credit of $0.4 million (2006 – $0.6 million).

The figures shown in the Statement of Operations are net of the following amounts relating to reinsurance ceded to other companies:

[illegible]	2007	2006
Premiums earned	**$ 12,291**	$ 15,535
Claims incurred	**$ 4,754**	$ (23,086)

9. Operating Lease Commitments

The corporation is committed to make minimum annual operating lease payments for buildings and equipment. The minimum annual lease payments required are approximately as follows:

Fiscal Year	Minimum Lease Payments
2008	$ 3,123
2009	$ 3,028
2010	$ 2,882
2011	$ 2,735
2012	$ 2,902
thereafter	$ 3,354

10. Investment Income, Net

	2007	2006
Total investment income	**$ 129,027**	$ 175,679
Less allocation to		
Provision for pension benefit plan (Note 6)	**8,602**	9,111
Investment income, net	**$ 120,425**	$ 166,568

Included in total investment income are cash dividends of $9.0 million (2006 – $7.3 million).

11. Discontinued General Insurance Operations

The corporation discontinued writing reinsurance assumed business effective November 18, 1987 and personal and commercial insurance policies effective October 1, 1990.

As of February 28, 2001 the corporation accepted a third party offer to purchase the reinsurance assumed business from the corporation. Under the terms of the agreement, the corporation transferred and assigned to the third party the title, interest and all of the obligations resulting from the uncommuted reinsurance assumed treaties written by the corporation for the period July 1, 1975 to November 18, 1987 including retrocessional treaties. The obligations include all known or unknown liabilities. The primary liability to the treaty holders remains with the corporation in the event of the third party's insolvency.

Claims costs and expenses on personal and commercial policies will be incurred until all claims on existing policies are settled.

Discontinued operations resulted in a net income of $0.5 million (2006 – $2.9 million) which is reported as part of the Special Risk Extension line of business (note 12). Included in the provision for unpaid claims is $5.3 million (2006 – $5.4 million) relating to discontinued operations.

12. Net Income from Annual Operations

The lines of business reported net income from annual operations as follows:

	2007	2006
Basic insurance	**$ 47,783**	$ 85,703
Extension insurance	**3,235**	9,168
Special Risk Extension	**17,370**	10,938
	20,605	20,106
Net income from annual operations	**$ 68,388**	$ 105,809

13. Surplus Distribution

On November 20, 2006 the Public Utilities Board of Manitoba released its ruling on the corporation's 2007/2008 Basic Insurance rate application and ordered a surplus distribution of 10 per cent of the basic motor vehicle premiums written based on 2005/2006 rates. The surplus distribution, estimated to be $60.0 million, is recognized in 2006/2007 and will be paid to policyholders during the 2007/2008 fiscal year.

Last year's estimated surplus distribution of $58.0 million was actualized in the current fiscal year to $57.7 million which was distributed to Basic policyholders.

14. Transfer of Retained Earnings

Effective March 1, 2006, the corporation ceased the transfer of retained earnings from its competitive lines of business to the Basic Insurance Rate Stabilization Reserve. On March 1, 2005 the corporation transferred to the Basic Insurance Rate Stabilization Reserve retained earnings of $19.4 million from its competitive lines of business.

15. Fair Value Disclosure

The fair value of financial assets and liabilities, other than cash and investments (note 4) and provision for unpaid claims (note 7) approximates their carrying values due to the immediate or short-term maturity of these financial instruments.

16. External Auditor and External Actuary Costs

The Basis of Reporting note (note 2) provides information on the appointment of the external auditor and external actuary. In the normal course of business, and in addition to the annual attest audit of the corporation's financial statements and valuation of policy liabilities, the external auditor and external actuary provided advisory services to the corporation.

Costs incurred for services rendered are:

		2007		2006
KPMG LLP				
Audit fees	**$**	**190**	$	135
Advisory fees		**2**		2
Total	**$**	**192**	$	137
Ernst & Young LLP				
Valuation of policy liabilities fees	**$**	**118**	$	94
Actuarial advisory fees		**78**		72
Management advisory fees		**35**		18
Total	**$**	**231**	$	184

17. Driver Licensing Operations Recovery

Effective October 4, 2004 the Province of Manitoba transferred the management and administration of driver licensing to the corporation which includes all aspects pertaining to driver safety, vehicle registration and driver licensing including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to the corporation, in the amount of $21.0 million annually, into perpetuity, payable in equal monthly installments of $1.75 million to defray the cost borne by the corporation as a result of the transfer.

The current year's $21.0 million funding was reduced by $0.5 million on a one-time basis to defray the costs to the Province of Manitoba of aligning the renewal of driver licences with motor vehicle registrations.

The corporation, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees and driver licensing fees to the Province of Manitoba.

Fees collected on behalf of and transferred to the Province of Manitoba include:

		2007		
Vehicle registration fees	**$**	**99,705**	$	97,075
Driver licensing fees		**16,992**		18,808
Total	**$**	**116,697**	$	115,883

18. Immobilizer Incentive Fund

Activity in the Immobilizer Incentive Fund includes:

Balance beginning of year	**$**	**37,063**	$	–
Transfer from Basic Insurance Rate Stabilization Reserve		**10,000**		40,000
Less: Funds transferred to Basic Insurance Rate Stabilization Reserve to offset program costs		**(13,920)**		(2,937)
Balance end of year	**$**	**33,143**	$	37,063

The Immobilizer Incentive Fund was established during the 2005/2006 fiscal year, to fund the Immobilizer Incentive Program. An additional $10.0 million was transferred to the Immobilizer Incentive Fund during 2006/2007 to expand the No Cost Immobilizer Program to all Manitobans owning most at risk vehicles.

Program costs incurred are included in the "net income from annual operations after surplus distribution" for the Basic Insurance line of business, which is reported in the Statement of Retained Earnings under the heading "Rate Stabilization Reserve".

Funds are transferred from the Immobilizer Incentive Fund to the Basic Insurance Rate Stabilization Reserve to offset the program costs incurred.

19. Subsequent Event

Effective March 1, 2007 the Board of Directors have approved retained earnings targets for Extension and Special Risk Extension lines of business (Competitive Lines) based on 200 per cent of the most recent year's Minimum Capital Test (MCT). The MCT is a risk-based methodology developed by the Office of the Superintendent of Financial Institutions (OSFI) to assess a property and casualty insurance company's financial risk and determines the capital adequacy of reserves held in retained earnings.

Further, the Board of Directors approved that the Competitive Lines retained earnings in excess of the most recent year's target of 200 per cent of MCT will be appropriated, effective March 1, 2007 on a one-time basis, into the Extension Development Fund (EDF). The EDF will be established using $39 million of Competitive Lines retained earnings. The EDF will be used to defray the annual driver licensing project costs that flow through the Extension line of business statement of operations.

20. Rate Regulation

The corporation's basic universal compulsory automobile insurance line of business (Basic insurance) is subject to regulation by the Public Utilities Board (PUB) of Manitoba. Under the provisions of *The Crown Corporations Public Review and Accountability Act*, the PUB has the authority to review and approve Basic insurance rates, premiums and service fees charged with respect to compulsory driver and vehicle insurance provided by the corporation. No new rates or fees for services can be introduced without the approval of the PUB. The Board is required to ensure that the rates are just, reasonable and not unduly discriminatory or preferential.

Annually the corporation prepares its Basic insurance general rate application and files it with the PUB in the month of June for implementation the following fiscal year commencing on March 1. The general rate application includes the prospective rate requirements based on historical and forecasted financial and other information as well as the application of actuarial, accounting and statistical principles and practices.

The corporation is required to pay a portion of the PUB's operating costs relating to the corporation's share of the overall PUB budget. In addition, the PUB can also order the corporation to reimburse other proceeding participants for specified costs such as their time, legal and expert witness fees.

21. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year financial statement presentation.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The consolidated financial statements of the Workers Compensation Board of Manitoba (WCB) were prepared by management, which is responsible for the integrity and fairness of the data presented, including significant accounting judgments and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this annual report conforms to these financial statements.

Management believes the system of internal controls, review procedures and established policies provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. Management also believes that the WCB's operations are conducted in conformity with the law and with a high standard of business conduct. The Internal Auditor performs periodic audits designed to test the adequacy and consistency of the WCB's internal controls.

The Board of Directors is responsible for overseeing management in the performance of its financial reporting responsibilities and has approved the financial statements and other financial information included in this annual report on March 16, 2007.

The Audit Committee assists the Board of Directors in its responsibilities. This Committee reviews and recommends approval of the financial statements and annual reports. Internal and external auditors and the actuary have unlimited access to the Audit Committee. The Audit Committee reviews the financial statements and the other contents of the annual report with management and the external auditors and reports to the Board of Directors prior to their approval for publication.

The firm of Eckler Ltd. has been appointed as the independent consulting actuary to the WCB. Their role is to complete an independent actuarial valuation of the benefit liabilities included in the financial statements of the WCB and to report thereon in accordance with accepted actuarial practices. Eckler Ltd.'s opinion on the valuation of the benefit liabilities is provided on page 25.

Grant Thornton LLP, independent auditors appointed as a sub-agent to the Provincial Auditor General, has performed an independent audit of the consolidated financial statements of the WCB in accordance with Canadian generally accepted auditing standards. Their Auditors' Report, on page 26, outlines the scope of this independent audit and includes their opinion expressed on the 2006 consolidated financial statements.

D Sexsmith	H Dueck.
Doug Sexsmith President and CEO	Harold B. Dueck, CA Vice President, Finance and Administration
	March 16, 2007

AUDITORS' REPORT

To the Workers Compensation Board of Manitoba

We audited the consolidated balance sheet of the Workers Compensation Board of Manitoba as at December 31, 2006 and the consolidated statements of operations and accident fund reserve, comprehensive income, changes in accumulated other comprehensive income and cash flows for the year then ended. These financial statements are the responsibility of the WCB's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the WCB as at December 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

Winnipeg, Canada
March 2, 2007

Grant Thornton LLP
Chartered Accountants

CONSOLIDATED BALANCE SHEET

December 31, 2006
(in thousands of dollars)

	2006	2005
Assets		
Cash	$ 3,112	$ 1,836
Receivables and other (Note 4)	33,658	32,542
Investment portfolio (Note 5)	969,035	865,343
Deferred assessments (Note 6)	43,718	25,862
Capital assets (Note 7)	11,571	11,621
	$ 1,061,094	$ 937,204
Liabilities and Funded Position		
Payables and accrued liabilities (Note 8)	$ 25,366	$ 21,546
Benefit liabilities (Note 10)	789,032	731,093
Total liabilities	814,398	752,639
Accident fund reserve	99,675	93,521
Accumulated other comprehensive income	147,021	91,044
Funded position	246,696	184,565
	$ 1,061,094	$ 937,204

Signed on behalf of the Board of Directors

Tom J. Farrell

Chairperson, Board of Directors

Ron Hambley

Audit Committee of the Board of Directors

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCIDENT FUND RESERVE

Year Ended December 31, 2006
(in thousands of dollars)

	2006	2005
Revenue		
Premium revenue (Note 12)	$ 219,720	$ 190,775
Investment income (Note 5)	59,571	63,415
Total revenue	279,291	254,190
Expenses		
Claim costs incurred (Note 10)	219,917	180,245
Operating expenses (Note 13)	53,220	50,915
Total expenses	273,137	231,160
Operating surplus	**6,154**	**23,030**
Accident fund reserve at beginning of year	93,521	70,491
Accident fund reserve at end of year	$ 99,675	$ 93,521

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended December 31, 2006
(in thousands of dollars)

	2006	2005
Operating surplus	$ 6,154	$ 23,030
Other comprehensive income		
Unrealized gains on available-for-sale financial assets	80,574	64,594
Reclassification of realized gains to the Consolidated Statement of Operations and Accident Fund Reserve (Note 5)	(24,597)	(33,578)
Other comprehensive income	55,977	31,016
Total comprehensive income	$ 62,131	$ 54,046

CONSOLIDATED STATEMENT OF CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

Year Ended December 31, 2006
(in thousands of dollars)

	2006	2005
Accumulated Other Comprehensive Income		
Balance at beginning of year	$ 91,044	$ 60,028
Other comprehensive income	55,977	31,016
Balance at end of year	$ 147,021	$ 91,044

The accompanying notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31, 2006
(in thousands of dollars)

	2006	2005
Operating cash flows		
Premiums from employers	$ 200,766	$ 186,107
Investment income	30,414	28,339
Claim payments (Note 10)	(161,978)	(152,599)
Purchases of administration goods and services	(51,415)	(50,424)
Net cash provided by operating activities	17,787	11,423
Investing cash flows		
Purchases of investments, net of sales (Note 5)	(14,471)	(9,470)
Capital asset acquisitions, net of disposals	(2,040)	(2,196)
Net cash used by investing activities	(16,511)	(11,666)
Net increase (decrease) in cash	1,276	(243)
Cash at beginning of year	1,836	2,079
Cash at end of year	$ 3,112	$ 1,836

The accompanying notes are an integral part of the consolidated financial statement.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 2006
($ amounts in thousands of dollars unless otherwise noted)

1. NATURE OF OPERATIONS

The Workers Compensation Board of Manitoba (the WCB) was created in 1917 under the authority of *The Workers Compensation Act* of Manitoba. In accordance with the provisions of the Act, the WCB is responsible for:

- prevention of workplace injuries and occupational diseases in conjunction with the Manitoba government's Workplace Safety and Health Division,
- administering payments to injured workers and suppliers of services to injured workers,
- levying and collecting premiums from established classes of employers in amounts sufficient to cover the current and future costs of existing claims, and
- investing surplus funds.

An independent Workers Compensation Appeal Commission operates under the Act to make final rulings on any appeals pertaining to the WCB's assessment or benefits decisions.

The WCB's vision is *SAFE Work – A Way of Life*. The organization's mission is to promote safe and healthy workplaces, promote recovery and return to work, provide compassionate and supportive compensation services for workers and employers, and ensure responsible financial stewardship. The WCB compensates for lost wages, provides support and arranges for rehabilitative help and has a responsibility to injured workers, their families and their employers to help injured workers return to health and productive work in a timely and safe manner.

The workers compensation system is funded through premiums collected from employers. The Workers Compensation Board of Manitoba does not receive government funding or assistance. Surplus funds are invested and are used to protect the WCB and its ratepayers from general business risks and catastrophic events in areas such as investment returns or extraordinary claims costs. To that end, an accident fund reserve, attributable to the Class E employers exists. The target balance for this reserve is based on a formula modified from the Minimum Contributing Capital and Surplus Requirements rules set out by the Office of the Superintendent of Financial Institutions, Canada. The calculation moves in tandem with changes in the size of the WCB's assets and liabilities thereby calculating a reserve target that reduces risk to the organization. The target balance for the accident fund reserve was $181.6 million at the end of 2006 ($169.1 million in 2005).

The WCB's funding policy is intended to ensure that fiduciary responsibilities are carried out in accordance with the Act and that annual influences do not unduly distort the funding process. The WCB is committed to operating on a fully funded basis to a level funding standard. Full funding requires that current employers pay for the current and future cost of existing compensable injuries and their administration, rather than future generations of employers paying for those injuries. Under level funding, the cost of claims with lengthy latency periods is funded in a level fashion over the worker's period of exposure to the elements which led to the injury or disease.

2. SIGNIFICANT ACCOUNTING POLICIES

The WCB's significant accounting policies are as follows:

Measurement Uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles in Canada, which requires the WCB to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from these estimates.

Basis of Consolidation

These consolidated financial statements include the accounts of the WCB and its wholly owned subsidiaries. Intercompany balances and transactions are eliminated on consolidation.

Cash

Cash includes cash on hand and balances with banks, net of any outstanding cheques. Cash and short term investments held by investment managers and custodians for investment purposes are included in the investment portfolio reported on the balance sheet.

Investments

Under the provisions of Canadian Institute of Chartered Accountants (CICA) 3855 Financial Instruments – Recognition and Measurement, the financial assets of the WCB's investment portfolio are designated as available for sale, and carried at fair value. Other than the real estate portfolio assets in WCB Realty Limited, a wholly owned subsidiary, gains and losses arising from the change in fair value that occurred during the year are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative gain or loss previously recognized in other comprehensive income is designated a realized gain or loss and reclassified to investment income in the Consolidated Statement of Operations and Accident Fund Reserve. Income from interest and dividends is recognized in the period earned. Investment income is presented net of investment expenses.

The WCB consolidates the real estate portfolio of WCB Realty Limited at fair value, in accordance with CICA Accounting Guideline 18 – Investment Companies. Changes in fair value that occurred during the year are recorded in investment income in the Consolidated Statement of Operations and Accident Fund Reserve.

Fair Value of Investments

Investments are stated at fair value, which is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Publicly traded investments are stated at year end market prices as listed on the appropriate stock exchange, or as provided by the custodian from independent sources.

Pooled fund investments are valued at the most recent unit values supplied by the pooled fund administrator at year end.

The fair value of real estate investments is determined annually by management based on a combination of the most recent independent appraisals of the rental properties and market data available at year end, net of any liabilities against the properties.

Capital Assets

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight line basis over their estimated useful lives, as follows:

Computer equipment	3 - 5 years
Systems development	3 - 10 years
Furniture, fixtures and equipment	5 years
Building renovations and leasehold improvements	2 - 10 years
Building	40 years

Employee Future Benefits

The actuarial determination of the accrued benefit obligation for pensions and other retirement benefits uses the projected benefit method prorated on service. This method incorporates management's best estimates of salary escalation, investment rate of return, retirement ages of employees and other actuarial factors. Actual results could differ from these estimates as the assumptions are of a long term nature, consistent with the nature of employee future benefits.

Actuarial gains (losses) arise from the difference between the actual long term rate of return on plan assets for a period and the expected long term rate of return for that period, or from changes in actuarial assumptions used to determine the accrued benefit obligation. The excess of the net accumulated actuarial gain (loss) over 10 percent of the greater of plan assets or liabilities is amortized over the expected average remaining service life of active employees. Past service costs are amortized on a straight line basis over the remaining service life of active employees expected to receive benefits under the plan.

On January 1, 2000, the WCB adopted the new accounting standard on employee future benefits using the prospective application method. The WCB is amortizing the transitional asset (pension) and transitional liability (other) on a straight line basis over 15 years, which was the average remaining service life of active employees expected to receive benefits under the benefit plans as of January 1, 2000.

Benefit Liabilities

The WCB's independent consulting actuary prepares a valuation of the benefit liabilities of the WCB at each year end. The benefit liabilities represent the actuarial present value of all future benefit payments expected to be made for claims or injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or administrative practices in respect of existing claims and provisions for the future expenses of administering the existing claims.

The benefit liabilities also include the estimated liability for long latent occupational diseases. Due to the nature of the estimated liability for long latent occupational diseases and the extent of related historical claims information available, this liability is more uncertain by its nature than other benefit liabilities. As information is accumulated and analyzed, adjustments may be necessary to improve precision.

Fair Value of Other Financial Assets and Liabilities

Other financial assets and liabilities consist of cash and cash equivalents, accounts receivable and accounts payable. The carrying value of these items approximates their fair value, consistent with the short term nature of these items.

Accumulated Other Comprehensive Income

The designation of the WCB's investment portfolio as available for sale requires the WCB to use accumulated other comprehensive income. Accumulated other comprehensive income is comprised of the cumulative unrealized gains and losses arising from the investment portfolio that, in accordance with primary sources of generally accepted accounting principles, are recognized in other comprehensive income but excluded from the operating surplus.

Premium Revenue

The operations of the WCB are categorized, in accordance with the Act, into Class E (general employers pool) and several classes of self-insured employers.

Employers registered within Class E are subject to collective liability, and premium revenue is estimated by applying applicable industry assessment rates to the employers' reported assessable payrolls for the current year. Any difference between the estimated premium revenue and the actual premium revenue is credited or charged to income in a subsequent year.

Self-insured employers, principally government bodies and railways and their subsidiaries, are subject to individual responsibility for costs attributable to claims arising from their employees, as well as administration expenses incurred on behalf of self-insured employers. As such, premium revenue from self-insured employers is recognized as these costs are incurred.

Foreign Currency Translation

Transactions in foreign currency are converted to Canadian dollars at the exchange rate in effect at the time of the transaction. Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at the balance sheet date. Unrealized foreign currency exchange gains and losses arising from the investment portfolio are recorded in other comprehensive income until the investment is derecognized (sold). At that time, the cumulative foreign currency exchange gain or loss previously recognized in other comprehensive income is designated a realized foreign currency exchange gain or loss and reclassified to investment income.

3. LINES OF CREDIT

The WCB has established an operating line of credit with its principal banker in the amount of $3.0 million. Advances on the line of credit bear interest at the bank's prime interest rate. The WCB has also established a revolving credit facility with the Province of Manitoba in the amount of $40.0 million. Advances on the revolving credit facility bear interest at the Province's preferred lending rate. Both credit facilities are unsecured. Borrowings during the year amounted to $20.8 million ($17.3 million in 2005), comprised of $7.8 million on the operating line of credit and $13.0 million on the revolving credit facility ($5.3 million and $12.0 million, respectively, in 2005), and were repaid in full as at December 31, 2006.

4. RECEIVABLES AND OTHER

	2006	2005
Premiums – Class E employers	$ 24,806	$ 23,572
Allowance for doubtful accounts	(1,158)	(1,463)
	23,648	22,109
Assessments – Self-insured employers	3,007	3,296
Sundry	1,626	1,329
Accrued pension benefit asset (Note 9)	5,377	5,808
	$ 33,658	$ 32,542

5. INVESTMENT PORTFOLIO

Fair Value of the Investment Portfolio

	2006	2005
Equities		
Canadian	$ 196,167	$ 198,383
Private placements	37,667	29,285
U.S.	135,581	109,665
Europe, Australia & Far East	96,980	85,938
Emerging markets	34,489	23,425
	500,884	446,696
Cash and short term investments	36,762	42,552
Fixed income	313,643	286,977
Real estate (see table below)	117,746	89,118
Total	$ 969,035	$ 865,343

Real Estate Portfolio

The real estate portfolio can be further broken down as follows:

	2006	2005
Rental properties and other net assets	$ 165,292	$ 133,335
Mortgages payable	(47,546)	(44,217)
Real estate investments	$ 117,746	$ 89,118

Mortgages payable on rental properties bear interest at rates ranging from 4.8 percent to 7.4 percent per annum, with maturity dates ranging from 2008 to 2014. Scheduled principal and interest payments for 2007 on these mortgages total $5.9 million. The scheduled amounts of principal repayments in each of the next five years are as follows:

2007	$ 3,159
2008	5,051
2009	11,696
2010	731
2011	12,699
	33,336
Thereafter	14,210
Total	$ 47,546

Investment Income

Investment income was derived from the following sources:

	2006	2005
Cash and short term investments	$ 1,699	$ 849
Fixed income	14,829	13,679
Real estate (see table below)	13,511	11,339
Canadian equities	5,320	3,977
Foreign equities	3,736	3,913
Realized gains reclassified from other comprehensive income	24,597	33,578
Loan interest expense	(34)	(14)
Management expenses	(4,087)	(3,906)
Investment income	$ 59,571	$ 63,415

Real Estate Income

The real estate income can be further broken down as follows:

	2006	2005
Rental income	$ 11,267	$ 8,695
Rental expenses	(4,413)	(2,838)
	6,854	5,857
Appraisal gains	6,657	5,482
	$ 13,511	$ 11,339

Purchases of Investments, Net of Sales

Purchases of investments, net of sales can be further broken down as follows:

	2006	2005
Purchases of investments	$ 1,145,367	$ 1,848,499
Proceeds on disposal of investments	(1,130,896)	(1,839,029)
Net purchases of investments	$ 14,471	$ 9,470

Purchases and sales activities occur primarily within the fixed income portfolio and short term investments.

Commitments

The WCB has contractual agreements to contribute further funding to a maximum of $16.1 million ($25.8 million in 2005) to specific investment projects to be financed from the existing portfolio or from available cash.

Market Risk

The WCB invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The WCB does not use derivative financial instruments to alter the effects of these market changes and fluctuations.

Credit Risk Management

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 97 percent (97 percent in 2005) have at least an A credit rating. The WCB does not anticipate that any borrowers will fail to meet their obligations.

Securities Lending

The WCB may lend, for fee income, any of its securities to third parties, provided the loans are secured by cash or readily marketable securities having a market value of at least 105 percent of the market amount of the asset borrowed. As at December 31, 2006, these loans amounted to $99.2 million ($73.4 million in 2005).

Foreign Exchange Risk Management

The WCB has certain investments denominated in foreign currencies. During 2006, the WCB did not undertake hedging strategies for the currency risk of foreign investments. While currency fluctuations influenced short term returns, these fluctuations are not expected to affect the long term position of the investment portfolio.

Interest Rate Risk Management

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. As at December 31, 2006, the duration of the WCB's bond portfolio was 6.7 years (6.1 years in 2005).

6. DEFERRED ASSESSMENTS

Deferred assessments represent the WCB's estimate of premiums which will be received in the future from self-insured employers to fund the future costs of existing claims that have arisen from their employees. As such, the fair value for deferred assessments is not readily determinable. The deferred assessments may be secured by irrevocable letters of credit or other suitable forms of guarantee. The changes in deferred assessments were as follows:

	2006	**2005**
Balance at beginning of year	$ 25,862	$ 22,870
Change in future cost liability	17,295	4,225
Change in pension related transactions	1,666	(38)
Interest allocation	(1,105)	(1,195)
Net change in deferred assessments	17,856	2,992
Balance at end of year	$ 43,718	$ 25,862

7. CAPITAL ASSETS

	2006		2005	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Computer equipment	$ 10,932	$ 9,406	$ 11,039	$ 9,419
Systems development projects	11,037	7,370	10,072	6,633
Furniture, fixtures and equipment	1,941	1,908	1,927	1,893
Building renovations and leasehold improvements	3,410	2,479	3,374	2,203
Building and land	5,837	423	5,722	365
	$ 33,157	$ 21,586	$ 32,134	$ 20,513
Net book value	$11,571		$11,621	

As a result of asset dispositions, costs of $1.0 million ($460.3 thousand in 2005) for computer equipment and furniture, fixtures and equipment, and the offsetting accumulated depreciation were removed from the accounting records. A gain of $23.5 thousand ($10.0 thousand in 2005) was recognized on the sale of these fully depreciated capital assets.

8. PAYABLES AND ACCRUED LIABILITIES

	2006	2005
Accounts payable and accrued liabilities	$ 4,496	$ 2,516
Client annuity program	10,536	9,076
Community Initiatives and Research Program grants	2,089	1,904
Deposits from self-insured employers	1,441	1,414
Employee vacation entitlements	2,686	2,539
Unearned revenue	909	1,273
Other payables	1,289	1,216
Sick leave plan (Note 9)	1,920	1,608
	$ 25,366	$ 21,546

9. EMPLOYEE FUTURE BENEFITS

The WCB has two employee benefit plans which provide pension and other post-employment benefits to its employees. The cost of these employee benefit plans is recorded as an expense in the period in which employees' services are rendered.

The pension plan, which is funded by employee and employer contributions, is made up of the WCB Retirement Plan and the Supplementary Employee Retirement Plan. The WCB Retirement Plan is a defined benefit pension plan that provides partially indexed pensions (two-thirds of the Consumer Price Index for Canada) based on years of service and the best five consecutive years average earnings in the last 12 years of employment. The Supplementary Employee Retirement Plan provides that the employees of the WCB whose earnings exceed the threshold earnings for the maximum pension benefit permitted under the federal *Income Tax Act* will receive pension benefits based on their total pensionable earnings.

The WCB also has a defined benefit plan that provides for a payment of sick leave credits to employees that meet established criteria upon termination or retirement. Employees are not required to contribute to this plan.

Total cash payments for employee future benefits for 2006, consisting of cash contributed by the WCB to the funded pension plan and cash payments directly to beneficiaries for the unfunded sick leave plan, were $2.6 million ($2.1 million in 2005).

The WCB measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the Retirement Plan for funding purposes was as of December 31, 2005. The next required valuation will be as of December 31, 2008.

Information about the WCB's employee benefit plans for the year is as follows:

	Pension Plan		Sick Leave Plan	
	2006	2005	2006	2005
Benefits paid by the plan	$ 1,721	$ 3,461	$ 147	$ 154
Employer contributions	2,420	1,971	147	154
Employee contributions	1,514	1,465	-	-
Employee future benefit expense	2,851	1,585	460	417
Actual return on plan assets (%)	13.4%	11.4%	-	-

Reconciliation of funded status of the benefit plans to amounts included in the financial statements:

	Pension Plan		Sick Leave Plan	
	2006	2005	2006	2005
Fair value of plan assets	$ 82,893	$ 70,601	-	-
Accrued benefit obligation	91,827	76,943	$ 3,950	$ 3,030
Plan deficit	(8,934)	(6,342)	(3,950)	(3,030)
Balance of unamortized losses	14,311	12,150	2,030	1,422
Accrued benefit asset (liability)	$ 5,377	$ 5,808	$ (1,920)	$ (1,608)

The accrued benefit asset for the pension plan is included in receivables and other. The accrued benefit liability for the sick leave plan is included in payables and accrued liabilities.

The key actuarial assumptions used to value the employee future benefit liabilities for accounting purposes as at December 31 are as follows:

	Pension Plan		Sick Leave Plan	
	2006	2005	2006	2005
Discount rate	5.25%	5.5%	5.25%	6.0%
Expected long term rate of return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	3.75%	3.75%	2.25%	2.25%
Expected average remaining service life (in years)	16	16	16	16

The asset allocation for the pension plan as at December 31 is:

	2006	2005
Equity	63%	58%
Fixed income (including short term)	37%	42%

10. BENEFIT LIABILITIES

Benefit liabilities are determined in accordance with standards established by the Canadian Institute of Actuaries. The actuarial present value of future benefit payments reflects management's long term estimates of economic and actuarial assumptions and methods, which are based upon past experience and modified for current trends. As these assumptions may change over time to reflect underlying conditions, it is possible that such changes could cause a material change in the actuarial present value of the future payments. The fair value for benefit liabilities is not readily determinable.

The key actuarial assumptions used to value the benefit liabilities as at December 31 are as follows:

	2006	2005
Discount rate for non-indexed benefits	6.0%	6.5%
Discount rate for CPI-indexed benefits	3.0%	3.5%
Discount rate for wage-indexed benefits	2.0%	2.5%
Discount rate for healthcare benefits	2.0%	2.5%

Effective December 31, 2006, the discount rates were all reduced by 0.5 percent. This change increased the benefit liabilities by $26.8 million.

An analysis of the components of and changes in benefit liabilities is as follows:

	2006						2005
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 99,173	$ 350,114	$ 147,857	$ 114,069	$ 19,880	$ 731,093	$ 703,447
Add: Claim costs incurred							
Current year	94,387	445	7,550	44,486	7,246	154,114	138,787
Prior years	(22,854)	57,103	12,390	22,877	(3,713)	65,803	41,458
	71,533	57,548	19,940	67,363	3,533	219,917	180,245
Less: Claim payments made							
Current year	28,078	515	788	17,259	23	46,663	41,634
Prior years	28,327	44,529	13,551	26,413	2,495	115,315	110,965
	56,405	45,044	14,339	43,672	2,518	161,978	152,599
Balance at end of year	$ 114,301	$ 362,618	$ 153,458	$ 137,760	$ 20,895	$ 789,032	$ 731,093

The liability for short term disability claims is an estimate of future wage loss payments for claims that have yet to medically plateau or stabilize. The long term disability liability includes estimated future wage loss payments for those claims that have medically plateaued and stabilized, estimated future pension payments, and estimated future cost of claims relating to certain long latent occupational diseases. The liability for survivor benefits is composed of estimated future pension payments and other services provided to survivors of those who have lost their lives as a result of workplace injuries or illnesses. Healthcare liabilities are the estimated future medical costs for existing claims. The liability for rehabilitation services is composed of the estimated cost of future rehabilitation services which are externally supplied to the WCB.

Also included in benefit liabilities is a provision in the amount of $49.1 million ($43.7 million in 2005) for the future cost of administering existing claims.

11. BENEFIT LIABILITIES FOR SELF-INSURED EMPLOYERS

Note 10 contains a complete description of the components of the benefit liabilities for all employers. An analysis of the portion relating to self-insured employers is as follows:

	2006						2005
	Short Term Disability	**Long Term Disability**	**Survivor Benefits**	**Healthcare Benefits**	**Rehabilitation Services**	**Total**	**Total**
Balance at beginning of year	$ 8,838	$ 33,280	$ 25,613	$ 12,732	$ 1,128	$ 81,591	$ 77,347
Add: Claim costs incurred							
Current year	11,492	8,014	726	8,097	837	29,166	16,478
Prior years	754	4,622	2,865	2,357	(252)	10,346	6,912
	12,246	12,636	3,591	10,454	585	39,512	23,390
Less: Claim payments made							
Current year	3,715	131	70	2,231	1	6,148	5,109
Prior years	3,954	4,354	2,768	4,087	109	15,272	14,037
	7,669	4,485	2,838	6,318	110	21,420	19,146
Balance at end of year	$ 13,415	$ 41,431	$ 26,366	$ 16,868	$ 1,603	$ 99,683	$ 81,591

Included in premiums and claim costs for self-insured employers are payments in the amount of $3.8 million ($3.2 million in 2005) made by self-insured employers directly to injured workers on the WCB's behalf. These amounts are reported to the WCB for inclusion in these financial statements.

Included in the benefit liabilities balance is $10.8 million ($4.0 million in 2005) for self-insured employers' share of the long latent occupational disease liability and $5.8 million ($3.8 million in 2005) for the future cost of administering existing claims.

12. PREMIUM REVENUE

	2006	2005
Premiums – Class E employers	$ 179,495	$ 167,203
Assessments – Self-insured employers	22,369	20,580
Increase in deferred assessments (Note 6)	17,856	2,992
Total premium revenue	$ 219,720	$ 190,775

13. OPERATING EXPENSES

	2006	2005
Salaries, employee benefits and training	$ 35,076	$ 32,251
Information technology service fees	1,899	1,825
Occupancy costs	1,758	1,859
Office supplies, services and projects	647	1,323
Communications	973	1,062
Professional fees	1,009	750
Donations	84	81
Amortization of capital assets	2,090	2,419
Appeal Commission	1,174	1,109
Community Initiatives and Research Program grants	1,000	1,000
Recoveries from the Government of Canada	(821)	(725)
Prevention and other (Note 14)	8,331	7,961
Total operating expenses	$ 53,220	$ 50,915

Of the total operating expenses, $3.6 million ($3.6 million in 2005) were allocated to self-insured employers based on the current year's transaction volumes.

The WCB administers the *Government Employees Compensation Act* program for the Government of Canada. The operation of this program is reflected only to the extent of the recoveries of operating expenses.

14. RELATED PARTY TRANSACTIONS

Pursuant to *The Workplace Safety and Health Act* of Manitoba, the Province may pay the expenses incurred in the administration of that Act out of the consolidated fund and may, subsequently, recover such portion as it may determine from the class funds under *The Workers Compensation Act* of Manitoba. For 2006, the amount charged to operations under this provision is $6.2 million ($5.8 million in 2005).

Also, under Section 84.(1) of *The Workers Compensation Act* of Manitoba, the Province may pay the costs incurred in respect of worker advisors and may recover them from the class funds. For 2006, the amount charged to operations under this provision is $0.9 million ($0.9 million in 2005).

In addition to the legislated obligations referred to above, included in these financial statements are amounts resulting from routine operating transactions conducted at prevailing market prices with various provincial government controlled ministries, agencies and Crown corporations with which the WCB may be considered related. This includes the provision of assistance, in the form of medical opinions and appeal services, for the Province of Manitoba relating to criminal injury claims. The provincial government is also a self-insured employer under *The Workers Compensation Act* of Manitoba. Account balances resulting from these transactions are included in these financial statements and are settled on normal trade terms.

Included in the WCB's investment portfolio as at December 31, 2006, are guaranteed debentures issued by the Province of Manitoba in the amount of $2.4 million ($6.5 million in 2005).

15. COMMITMENTS

The WCB has signed operating leases for office premises expiring at various times until June 30, 2011. The minimum lease obligations over the next five years are:

2007	**2008**	**2009**	**2010**	**2011**	**Total**
$551	$516	$368	$258	$50	$1,743

16. AUDITOR INDEPENDENCE

Grant Thornton LLP did not provide any non-audit services to the WCB in 2006 or 2005.

17. COMPARATIVE FIGURES NOTE

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.